



復興亞洲絲路集團有限公司

RENAISSANCE ASIA SILK ROAD GROUP LIMITED

(formerly known as China Billion Resources Limited 中富資源有限公司)
(incorporated in the Cayman Islands with limited liability)

Stock Code : 274



ANNUAL
REPORT
2021



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Qiu Zhenyi (*Chairman of the Board*)

(*appointed on 2 September 2021*)

Mr. Zhu Shengsheng (*CEO*)

(*appointed on 3 June 2021*)

Mr. Pan Feng (*appointed on 2 September 2021*)

Mr. Xie Qiangming

NED

Ms. Ng Ching (*appointed on 15 November 2021*)

INEDs

Mr. Au-Yong Shong Samuel

(*appointed on 4 February 2022*)

Mr. Ho Wing Chung

Mr. Tse Sze Pan (*appointed on 4 February 2022*)

AUDIT COMMITTEE

Mr. Au-Yong Shong Samuel (*chairman*)

(*appointed on 4 February 2022*)

Mr. Ho Wing Chung

Mr. Tse Sze Pan (*appointed on 4 February 2022*)

REMUNERATION COMMITTEE

Mr. Tse Sze Pan (*chairman*)

(*appointed on 4 February 2022*)

Mr. Au-Yong Shong Samuel

(*appointed on 4 February 2022*)

Mr. Ho Wing Chung

Mr. Xie Qiangming

NOMINATION COMMITTEE

Mr. Qiu Zhenyi (*chairman*)

(*appointed on 2 September 2021*)

Mr. Au-Yong Shong Samuel

(*appointed on 4 February 2022*)

Mr. Ho Wing Chung

Mr. Tse Sze Pan (*appointed on 4 February 2022*)

Mr. Xie Qiangming

COMPANY SECRETARY

Ms. Sun Shui

AUTHORISED REPRESENTATIVES

Mr. Zhu Shengsheng

(*appointed on 2 September 2021*)

Mr. Xie Qiangming

REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1802, 18/F

The L Plaza

367-375 Queen's Road Central

Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

AUDITOR

ZHONGHUI ANDA CPA Limited

23/F, Tower 2, Enterprise Square Five

38 Wang Chiu Road, Kowloon Bay

Kowloon, Hong Kong

LEGAL ADVISOR

Reed Smith Richards Butler

(*as to Hong Kong law*)

17/F., One Island East

Taikoo Place, 18 Westlands Road

Quarry Bay

Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

1 Queen's Road Central


Hong Kong

COMPANY'S WEBSITE

www.rasr.com.hk

STOCK CODE

274



CHAIRMAN'S STATEMENT

To our valued Shareholders,

On behalf of the Board, I would like to present to our Shareholders and potential investors the annual report of the Company for the year ended 31 December 2021.

2021 is a year in which the overall economic situation tends to be balanced after its contraction, a year in which market volatility and recovery, difficulties and opportunities coexist, and also a year in which the Group's operations have been steadily adjusted and moved forward against the trend. Although the world is full of instability under the continuous influence of the COVID-19 pandemic, it also brings new opportunities, new frameworks and new cognitions to local social and economic development. Through the concerted efforts of the Group, the production and operation of Gold Mine have gradually returned to normal. The Management further adjusted and optimised the corporate culture and governance mechanism of the Group to clarify the future development strategy of the Group, and to explore new ideas and expand new business opportunities while stabilising our main business.

Our main business production has gradually returned to normal. While the Gold Mine resumed to normal mining and operation and sold gold products in August 2020, it continued to implement mine enhancement and renovation projects to expand production capacity and continue to improve tailings treatment and storage conditions. In terms of coal trading and frozen meat wholesale and trading, the Group will continue to prudently adjust its strategies based on the current overall business environment and operating conditions.

The corporate governance structure has been adjusted and optimised. During the year, the Management successively made adjustments to the composition of the Board, Board committees and management team to strengthen management to further optimise and improve the decision-making and execution mechanism and system. It has also established a capable and efficient professional team with clear functions and responsibilities gradually, and focused on the corporate culture and development goals formulated by the Group to explore more channels, broaden and develop ideas, display talents, and create benefits.

Business research has been conducted to explore business opportunities. While focusing on stabilising the main business of Gold Mine, the Group has intensified its in-depth research into many mining areas of domestic peers, and strives to diversify the operation and scale of the Group's main business. At the present stage, the Group has established relevant subsidiaries to carry out ore trading and business consulting management business.

In 2022, the Group will actively respond to the national development strategy of "Belt and Road", firmly grasp the main line of supply-side structural reform and the strategic basis of expanding domestic demand, and follow the general principle of pursuing progress while ensuring stability, combined with our existing main business (i.e. gold mining, exploration and trading of gold products; money lending services, and trading of coal and wholesale and trading of frozen meat) to build a closer green development partnership, strengthen cooperation in green infrastructure, green energy, green finance and other fields. Taking industrial integration as the leading factor, with mining resources and mining trade as our main business, we intend to build a comprehensive group integrating related financial services, engineering and project consulting management services, investment management, engineering financing and derivative resources.



CHAIRMAN'S STATEMENT

The Management initially plans to implement a three-step strategy in operation: (1) Consolidate mining operations, explore and expand new mine operations; develop mineral products trading and related engineering project series services. (2) Expand the scale of Gold Mine and speed up the new layout in the gold mine industry; strengthen capital cooperation with the mining industry and the end-users of mineral products, and set up domestic and overseas engineering consulting, management and financing services. (3) Improve the industrial layout of the subsidiaries of the Group by focusing on carbon neutral industries, increase investment in resource-based industries to form a new landscape of principal business covering mining, mineral product trading, engineering project development, asset management and consultation, resources investment and related financing services, and financial investment services.

On behalf of the Board, I would like to express my heartfelt thanks to the Shareholders and stakeholders for their continued support and concern. I would also like to express my heartfelt thanks to the Group's management and all staff for their hard work.

With the spirit of perseverance and vigorous and determined endeavor, we will strive to create more returns to our Shareholders.

Qiu Zhenyi

Chairman of the Board

Hong Kong, 20 April 2022



MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF COMPANY NAME, STOCK SHORT NAME, COMPANY LOGO AND WEBSITE

The English name of the Company has changed from “China Billion Resources Limited” to “Renaissance Asia Silk Road Group Limited” and the dual foreign name in Chinese of the Company from “中富資源有限公司” to “復興亞洲絲路集團有限公司” have become effective from 17 November 2021 pursuant to the Certificate of Incorporation on Change of Name issued by the Registrar of Companies in the Cayman Islands. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 2 December 2021 confirming the registration of the new names of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The stock short name of the Company for trading in the Shares on the Stock Exchange has changed from “C BILLION RES” to “RA SILK ROAD” in English and from “中富資源” to “復興亞洲” in Chinese with effective on 15 December 2021.

The logo of the Company has been changed to “” and the website of the Company has been changed to “www.rasr.com.hk” to reflect the Change of Company Name.

For details of change of Company name, please refer to the announcements of the Company date 18 October 2021, 15 November 2021 and 9 December 2021 and the circular of the Company date 27 October 2021.

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in three business segments: (i) gold mining, exploration and trading of gold products in the PRC; (ii) provision of money lending services in Hong Kong; (iii) trading of coal and wholesale and trading of frozen meat in the PRC.

BUSINESS REVIEW

Mining Products

As stated in the previous annual reports and interim reports, Hunan Westralian developed a mine enhancement project to enhance the quality of output of its Gold Mine in 2017. This project involved (i) mining technical reform in the east mining area of the Gold Mine which was completed in 2019, (ii) technological upgrading of an existing ore processing plant to enable it to achieve production capacity of 150 tons/day which was completed in 2020; (iii) the original goal of building a new ore processing plant with designed capacity of 500 tons/day by the end of 2022 has been completed ahead of schedule, and is currently in trial operation; and (iv) the expansion of the tailings processing and storage yard has been completed as scheduled by the end of 2021, and is currently preparing for relevant government approvals. Hunan Westralian continues to implement continuous maintenance and enhancement works program annually and review the expansion of existing mining locations within current mining right (valid until 31 December 2025). In addition, it will explore the Jiufa mining area that is in the vicinity of the new processing plant.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Mining Products (Continued)

Planned production and sales of gold bullion and concentrate by Hunan Westralian commenced in August 2020 following the relaxation by the local government of COVID-19 pandemic related access restrictions, during the Reporting Period, Hunan Westralian has generated and sold gold products to customers that are engaged in metal trading operations on site, based on the weighted average trading price for gold published by the Shanghai Gold Exchange and on immediate payment against delivery basis.

Based on (i) the aggregate of the probable reserves and 50% of the inferred resources of the Gold Mine as of 31 March 2015 (stated in the independent technical review updated report prepared by SRK in May 2015) less (ii) the aggregate of 50% of gold from sub-mining ores produced from the mine enhancement projects and other works and 100% of the gold output on a planned production basis in 2020, Hunan Westralian estimates that the remaining reserves and resources will support just over 14 years of operating at full capacity by the existing processing plant and (from November 2022) the new process plant. The Company will look to commission an update technical report at an appropriate time to “upgrade” the reserves and/or resources of the gold mine.

Money Lending Business

Due to changes and uncertainties in the overall environment, for prudence, the Group did not grant any new loan to customers during the Reporting Period. The Management will continue to monitor the financial market and adopt a more prudent and cautious approach in identifying potential customers and granting loan financing to customers to minimise the risk exposure.

In November 2019, the Company successfully entered into a loan extension agreement with the financial institution to extend the HK\$100 million unsecured loan facility granted to the Company in year 2018 for further two years. As results of which, the Group entered into two respective supplementary loan agreements with two borrowers in December 2019 and January 2020, respectively, to extend the total of HK\$100 million secured loan facilities for further two years (among which, the details of the HK\$85 million supplementary loan agreement have been set out in the Company’s announcement dated 9 January 2020). During the Reporting Period, the Company has fully settled the HK\$100 million unsecured loan obtained from the financial institution, and has fully recovered the two secured loans with a total amount of HK\$100 million granted by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

Trading of Coal

During the Reporting Period, due to price fluctuations in the PRC coal market, in order to control risks, all coal mine suppliers require customers to pay large amounts of coal supply guarantee deposits in advance. On the other hand, in order to reduce the impact of price fluctuations and ensure coal supply, major power plant customers have implemented strict bidding procedures, and the delivery time has also been compressed.

Taking into account the above factors, the gradually strengthened national environmental governance policies, low cost-effectiveness and profit margin, and cost control measures, the Management has decided to tentatively suspend this trading business in order to reallocate resources to other potential development projects.

Wholesale and Trading of Frozen Meat

The Group established a new subsidiary in PRC to develop the frozen meat products wholesale and trading business in 2020. The Group purchases frozen meat products from offshore suppliers and/or domestic trading companies, and mainly sell on a wholesale basis to larger food and beverage group, food processing companies, wholesalers and online food service distributors etc., and assist the customers in arranging delivery logistic.

During the Reporting Period, the Group's development in this business is relatively stable, except that all importers (including the Group) must comply with the stricter quarantine measures imposed by relevant Chinese authorities on imported frozen meat.

As stated in the 2021 Interim Report, the Group has established supply relationship with foreign suppliers such as Brazil, Thailand, Spain and other countries that have been registered with the Chinese Customs and the Ministry of Commerce, and completed trial orders. At the same time, the management of this segment has also made progress in customer development and has conducted substantive transactions with large catering companies and wholesalers. Although COVID-19 has affected the supply to a certain extent, the market demand for frozen meats is still strong as reflected in the high retail prices of frozen meats. Therefore, the management of the subsidiary will continue to closely monitor the development of this trading business, and will continue to find customers with stable demand and low-cost supply channels to achieve better profitability.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the Reporting Period, the Group's revenue was approximately HK\$119.1 million, representing an increase of approximately 108.3% as compared with approximately HK\$57.2 million for the Corresponding Period. The increase in the Group's revenue was mainly due to the resumption of normal operations and sales of gold products of the mining business segment since August 2020.

The revenue contributed by the mining products business segment during the Reporting Period was approximately HK\$85.9 million, representing an increase of approximately 170.8% as compared with approximately HK\$31.7 million for the Corresponding Period. The increase in revenue was mainly due to the technological upgrading of an existing ore processing plant to enable it to achieve an average production capacity of 4,000 tons/month since August 2020, when it resumed normal operations and sales of gold products.

During the Reporting Period, the revenue contributed by money lending business was approximately HK\$2.3 million, representing a decrease of approximately 71.5% as compared with approximately HK\$7.9 million for the Corresponding Period. The decrease in revenue was mainly due to the early repayment of the loan by the borrowers during the Reporting Period.

During the Reporting Period, the revenue of the trading of coal and wholesale and trading of frozen meat was approximately HK\$30.9 million, representing an increase of approximately 76.6% as compared with approximately HK\$17.5 million for the Corresponding Period. The increase in revenue was mainly due to the strong market demand for frozen meat in China, rising selling prices and stable customers. The wholesale and trading of frozen meat began to generate revenue for the Group from the second half of 2020. And trading of coal was tentatively suspended during the Reporting Period for the reasons mentioned in the subsection "Trading of Coal" above.

The gross profit for the Reporting Period was approximately HK\$52.5 million, representing an increase of approximately 95.6% as compared with approximately HK\$26.9 million for the Corresponding Period.

The loss for the Reporting Period was approximately HK\$101.0 million, representing a decrease of approximately 38.2% as compared with approximately HK\$163.3 million for the Corresponding Period. The decrease in loss was mainly due to the increase in other income of approximately HK\$20.1 million from other borrowings concessions, and the impairment loss on property, plant and equipment of approximately HK\$51.3 million, representing a decrease of approximately 25.4% as compared with approximately HK\$68.8 million for the Corresponding Period, and the impairment loss of mining right of approximately HK\$22.2 million, representing a decrease of approximately 51.0% as compared with approximately HK\$45.3 million for the Corresponding Period.



MANAGEMENT DISCUSSION AND ANALYSIS

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the Auditor:

"Disclaimer of Opinion ("Disclaimer of Opinion")

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the material uncertainty relating to the going concern basis described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately HK\$100,985,000 for the year ended 31 December 2021 and as at 31 December 2021 the Group had net current liabilities and net liabilities approximately HK\$257,199,000 and approximately HK\$39,843,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon (i) the successful completion of various proposed measures and (ii) the successful outcome that certain measures to improve its financial position, to provide liquidity and cash flows. The consolidated financial statements do not include any adjustments that would result from the failure to complete various debt restructuring measures and the failure to improve its financial position to provide liquidity and cash flows. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the multiple uncertainties relating to (i) the successful completion of various proposed measures and (ii) the successful outcome that certain measures to improve its financial position, to provide liquidity and cash flows, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis."

THE MANAGEMENT'S POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF OPINION

Regarding the disclaimer of opinion in relation to the going concern issue of the Group raised by the Auditor as set out in the 2020 Annual Report and this annual report, the Group has taken and will continue to take certain measures ("Proposed Measures") to improve the Group's working capital and cash flow position and mitigate its liquidity pressure. Save for the following Proposed Measures summary updates, as at the date of this annual report, there have been no material changes in respect of this matter since the publication of the 2020 Annual Report:

MANAGEMENT DISCUSSION AND ANALYSIS

THE MANAGEMENT'S POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF OPINION *(Continued)*

Proposed Measures

The Group is actively negotiate with the financial institution(s) for obtaining additional financing/new borrowings

The Group has obtained letters of undertakings from substantial shareholders of the Company confirming that they will provide continued financial support to the Group to meet its present and future financial obligations as they fall due

The Group will actively negotiate and obtain additional funds through fundraising activities

The Group will continue to negotiate with the Group's creditors with a view to extend the repayment terms of the Group's current liabilities as they fall due

The Management will continue to save or reduce costs aiming at improving the working capital and cash flow of the Group, including close monitoring of administrative expense and operating cost

Current status

The Group is actively liaising with financial institutions/ individuals/bankers to seek new loan facilities with lower interest rate and longer maturities to improve the current financial position of the Group. Up to date of this annual report, Hunan Westralian has obtained several financing from individuals. This measure will be under monitoring and may be adjusted based on actual funding need and the results of other possible fundraising activities of the Group as mentioned below

Obtained

On 2 July 2021, the Company issued 252,542,676 Shares to independent third parties and raised approximately HK\$59 million net proceeds and mainly used for partial repayment of the Group's high yield borrowings which have been taken out to fund the mining operations of the Group in the PRC, and general working capital. The Group will continue to actively liaise with the financial institutions and other potential investors to invest in the Group by way of placement of new shares, issue of convertible bonds or other financial activities etc. to repay the high-interest debt and to fund its working capital. Further announcement(s) will be made as and when appropriate subject to the applicable regulations and rules

The loan extension agreement has been entered with the major creditor, and the Management will try its best to strive for a longer repayment period and lower interest rate

During the Reporting Period, Hunan Westraian's production increased proportionally, while management and administration costs did not increase significantly. The Management believed that through continuous cost control, it will further increase the output of Gold Mine and eventually achieve profitability. The Management will continue monitor its cost and expenses to control and/or reduce those unnecessary administrative costs, expenses and/or other operating costs, while the Group can still able to maintain its existing operations and explore further business development smoothly.



MANAGEMENT DISCUSSION AND ANALYSIS

THE MANAGEMENT'S POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF OPINION *(Continued)*

Taking all of the above Proposed Measures and/or actions into consideration, the Board considers and is confident that the Group will have sufficient liquidity to finance its operations for the next twelve months and therefore is of the view that the Group would be able to continue its businesses and operations as a going concern and the going concern issue will be fully resolved in the immediate future or at least the financial position will be greatly improved.

Audit Committee's View on the Disclaimer of Opinion

The Audit Committee had critically reviewed the Disclaimer of Opinion, the Management's position concerning the Disclaimer of Opinion and measures taken by the Group for addressing the Disclaimer of Opinion. The Audit Committee agreed with the Management's position based on the reasons as stated in the subsection headed "Disclaimer of Opinion" of the Corporate Governance Report in 2020 Annual Report, this annual report and the above updates on the Proposed Measures. Moreover, the Audit Committee requested the Management to take all necessary actions to address the impact of the Disclaimer of Opinion and to strive that such situation leading to the Disclaimer of Opinion would not happen or be improved in the coming future. The Audit Committee had also discussed with the Auditor regarding the financial position of the Group, measures taken and to be taken by the Group, and considered the Auditor's rationale and understood their consideration in arriving their opinion.

For further details, please also refer to the subsection headed "Disclaimer of Opinion" of the Corporate Governance Report on pages 28 to 31.

RISKS AND UNCERTAINTIES

The Board believes that risk management is important and shall use its best effort to ensure it is sufficient to mitigate the risks present in the Group operations and financial position as efficiently and effectively as possible.

Business risk

The PRC local, provincial and central authorities exercise a substantial degree of control over the gold industry in China. Hunan Westralian's operations are subject to a range of PRC laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, development, production, taxation, labour standards, occupational health and safety, waste treatment and environmental protection and operation management.

The Management has been looking into different kinds of business and investment opportunities to broaden the sources of income of the Group in order to manage the risks associated with the volatility of the commodities prices that can have a material impact on the Group's mining operations and to create greater value for the Shareholders.



MANAGEMENT DISCUSSION AND ANALYSIS

RISKS AND UNCERTAINTIES *(Continued)*

Business risk *(Continued)*

The functional manager will carefully scrutinise each project for related risks and returns. These include assessment of relevant government policies, market demand, market conditions and economic data. The Management is responsible for supervision, conducting regular operational reviews and keeping the Board fully informed through regular reports (either in written or verbal form) and enabling the Board to make prompt decisions if changes are required.

Operational risk

Hunan Westralian faces certain risks and uncertainties beyond their control from manmade and natural disasters. These risks and uncertainties mainly include: (i) major catastrophic events and natural disasters; (ii) geological or mining conditions such as instability of the slopes and subsidence of the working areas; (iii) unexpected or periodic interruptions due to inclement or hazardous weather conditions; (iv) disruptions or shortages of water, power or fuel supply; (v) industrial or manmade accidents occurring in connection with mining processing operations; and (vi) critical equipment failures, malfunction and breakdowns of information management systems, or unexpected maintenance or technical problems. Hunan Westralian has engaged a local safety assessment company, which is an independent third party, to assess the safety status of the eastern Gold Mine. It is believed that the eastern Gold Mine has fulfilled the conditions of safe production in accordance to the relevant government laws and regulations.

The front-line or functional manager will review key activities of the Group and ensure all required control procedures, including financial and operational, are fully implemented. Precautionary and contingency measures are also set up to ensure the Group is protected against major potential loss, damage or impact to the business operations.

Financial risk

The market price of standard gold traded on Shanghai Gold Exchange follows international gold price trend closely. Historically, the gold market price has fluctuated widely and experienced periods of significant decline. The gold market prices are influenced by numerous factors such as demand and supply of gold, gold sales and purchases by central banks as well as macro-economic or political factors such as inflation expectation and interest rates.

The Management closely monitors the financial risks and when appropriate will adopt measures to manage and obtained approval from the Directors. The Group's cash and financing positions are closely monitored at the corporate level through regularly reporting. The maturity of receivable and payable are planned and managed to reduce liquidity risk.

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENT PROTECTION

The Group is committed to contributing to the sustainability of the environment from its business activities. The Group has established measures and created certain environmental frameworks to minimise and monitor the environmental impacts attributable to its operations. The Group implemented the green office practices such as re-deployment of office furniture as far as possible, encouraging the use of recycled paper for printing and copying and reducing energy consumption by switching off idle lightings and electrical appliances.

WORKPLACE QUALITY

The Group believes that employees are valuable assets and all indispensable to a company's success, therefore, the Group will use its best effort to attract and retain appropriate personnel to serve the Group. The objective of the Group's human resource policy is to reward and recognise the top-performing staff by providing attractive remuneration packages, which are reviewed annually and as required. The remuneration packages are determined with reference to the responsibilities, qualifications and experience, duties and performance of individuals as well as prevailing market compensation packages. The Group also allocates resources in training, retention and recruitment programs, and encouraging the staff to strive for self-development and improvements to cope with the rapidly changing environment.

PROSPECTS

As mentioned in the "Mining Products" subsection above, Hunan Westralian has implemented a mine enhancement project since 2017, and part of project has been completed as at the date of this annual report. After technological enhancements, the production capacity of the existing plant has been further increased to 150 tons/day. Hunan Westralian has resumed normal mining operation and selling gold products since August 2020.

In order to further increase production, Hunan Westralian has completed the construction of the new ore processing plant with designed capacity of 500 tons/day ahead of schedule, which is currently in initial trial operation and is targeted to be fully operational by the end of 2022. The construction of the tailings processing and storage yard has also been completed as planned by the end of 2021, and is currently preparing for relevant government approvals. Hunan Westralian will continue to implement continuous maintenance and enhancement works program annually and review the expansion of existing mining locations within current mining right, and explore the Jiufa mining area near the new processing plant.

In order to continue its effort to improve its mining capability and facilities, with the goal of maximising the quality and output efficiency of the Gold Mine, Hunan Westralian is planning to carry out technical reforms and rectification of the western mining area and a tailings filling enhancement project. At the same time, the Company will also look to commission an update technical report at an appropriate time to "upgrade" the reserves and/or resources of the gold mine. In addition, in order to improve the living standards of employees, Hunan Westralian plans to add a dormitory building.



MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS *(Continued)*

The Management believes that the performance of mining products segment will gradually improve as the gold price may continue to rise. The Management will monitor the capital needs for the aforesaid improvement and exploration projects, explore suitable financing opportunities when necessary, and inject capital based on the actual situation.

In addition, the Management will explore other strategic investment opportunities in mining ancillary businesses or bullion related businesses to enhance the business prospects of the Group, thereby maximising the value for the Shareholders.

Regarding the coal trading, as mentioned above, due to factors such as gradually strengthened national environmental governance policies, low cost-effectiveness and profit margin, and cost control measures, the Management has decided to tentatively suspend this trading business in order to reallocate resources to other potential development projects.

With the efforts of the management of the subsidiary, the operation of wholesale and trading of frozen meat has gradually stabilised. In addition to continuing to find customers with stable demand, and stable low-cost supply channel to achieve better profitability, the management of the subsidiary is still exploring the possibility of expanding its business scope to other frozen meats such as beef, pork and seafood, with a view to eventually achieve the goal of establishing its own online store and cold-chain e-commerce and/or cooperation with large e-commerce platform.

With the continuous strengthening the relevant national environmental governance policies imposed and encouraged by the Chinese government, the Group, as stated in the 2021 Interim Report and 2020 Annual Report, entered into a capital increase agreement with Target Company principally engaged in: (i) comprehensive utilisation of waste resources; (ii) procurement, processing, production and sales of metal scrap and metal-containing waste; (iii) trading in mineral products; and (iv) sales of metal materials in Jiangxi Province, PRC. As at the date of this annual report, the Group owns 12.41% equity interest in the capital of the Target Company and since the Target Company has obtained the provisional hazardous waste treatment licence, the Group has made a capital contribution of HK\$55 million to the Target Company. Details of the fair value of this investment as at the 31 December 2021, its performance for the Reporting Period and other information, please refer to note 21 to the consolidated financial statements of this annual report. The Board is of the view that this investment enables the Company to explore more business opportunities in the downstream business of the Group and expects to generate more profit in the future. Depending on the future performance of Target Company, the Company may consider investing more funds and/or resources in Target Company with a view to improving the financial condition of the Group.

After a thorough survey of the global economic environment, the trend of China's future economic and business development model, and the future development of the Company's existing business, the Board believes that in addition to keeping up with the development pace and business opportunities of big data, e-commerce and blockchain technology, the Group should also establish a comprehensive group with the concept of green infrastructure, energy and financial, with mining resources and mining trade as its main business, and integrating related financial services, engineering and project consulting management services, investment management and derivative resources.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS *(Continued)*

Therefore, in line with the future development direction of the Group and improve the overall performance of the Group, the Company established two wholly-owned subsidiaries in Tianjin, China in 2022, of which (i) one will focus on trial operation to carry out supply trade with iron and steel enterprises, and further extend to other mining industries, including its own gold mining business (if appropriate), to improve the Group's revenue and profitability, and address the current operating issues; and (ii) one will focus on trial operation to provide business consultation, management and integration services for different project developers, builders, financial institutions, etc. to create new business opportunities for the Group.

The Board, having considered various solutions and measures to the going concern issue of the Group that have been actively undertaken and will continue to be undertaken, as well as the funding needs of the Group for its existing business operations and future business development, has decided that the Company may consider raising funds in different ways, including issuance of convertible bonds, issuance of new Shares or loan financing, etc. The final result will be subject to the market conditions and the outcomes of the negotiations with the potential investors.

Looking forward, on the one hand, the Management will continue modifying and finessing the Group's strategic plan, and make appropriate adjustments according to the changes in the dynamic business environment in China and around the world, and on the other hand will continue looking for other investment opportunities, potential partners or acquisition targets to improve and broaden the sources of income for the Group to create maximum value and long-term benefits for Shareholders. The Management will strive to leverage our internal and external resources through fundraising or introducing strategic investors to achieve this goal.

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group mainly financed its operation with internally generated cash flows and borrowings.

As at 31 December 2021, the Group had unpledged bank and cash balances of approximately HK\$7.3 million (2020: approximately HK\$9.3 million). The gearing ratio was not applicable to the Group (2020: approximately 26,774.2%) and the borrowings of the Group was approximately HK\$261.9 million (2020: approximately HK\$308.1 million). The Group reported net current liabilities of approximately HK\$257.2 million as at 31 December 2021 (2020: net current liabilities of approximately HK\$97.8 million).

Details of maturity profile and interest rate structure of the borrowings of the Group are set out in the notes 27 and 29 to the consolidated financial statements of this annual report.

COMMITMENTS

Particulars of commitments of the Group as at 31 December 2021 and 2020 are set out in the note 34 to the consolidated financial statements of this annual report.



MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITY

As at 31 December 2021, the Group did not have any significant contingent liability (2020: nil).

BANK BORROWINGS

As at 31 December 2021, the Group did not have any outstanding bank loan (2020: nil).

EMPLOYEES AND REMUNERATION

As at 31 December 2021, the Group employed 512 staff members (2020: 503). The remuneration of employees was in line with the market trend and commensurate with the level of remuneration in the industry and the performance of individual employees that are regularly reviewed every year.

FOREIGN EXCHANGE EXPOSURE

During the Reporting Period, the Group mainly generated sales revenue and incurred costs in both Hong Kong dollar and Renminbi. In view of the fluctuation of Renminbi, the Directors considered that the Group's exposure to fluctuation in foreign exchange rate was minimal and accordingly, the Group did not employ any financial instruments for hedging purpose.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Qiu Zhenyi, aged 57, has joined the Company as an Executive Director and the chairman of the Board and the Nomination Committee since September 2021. Mr. Qiu has extensive senior management experiences in corporate strategy formulation, development and management. Mr. Qiu held a number of senior management positions in certain state-owned enterprises and state-owned holding companies in Tianjin City, China for over 36 years, including but not limited to the chairman of Tianjin JinLv Haihe Cruises Co., Ltd. (a company listed on National Equities Exchange and Quotations (stock code: 870350)) from 2019 to 2020. Mr. Qiu is currently an executive deputy vice president and/or executive director of certain private financial, energy and trading companies. Mr. Qiu obtained a professional certificate in economics management from the Party School of Tianjin Municipal Committee of the Communist Party of China in 2000 and a professional certificate of law theory for in-service graduate students of the Party School of the Central Committee of Communist Party of China in 2005. Mr. Qiu is also an accredited economist and an accredited senior engineer.

Mr. Pan Feng, aged 43, has joined the Company as an Executive Director since September 2021 and has also been appointed as vice president of the Company since October 2021. Mr. Pan has extensive experiences in sales management, investment promotion and business operation. Mr. Pan served as the investment operation executive officer of Tianjin Tianbao Infrastructure Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 00965) from 2011 to 2020. Mr. Pan obtained a master degree in Business Administration from Tianjin University in 2014 and he is also an accredited economist.

Mr. Zhu Shengsheng, aged 42, has joined the Company as an Executive Director since June 2021 and has also been appointed as CEO and an authorised representative of the Company since September 2021. Mr. Zhu has extensive experiences in energy and finance industry, and has years of experience in corporate development, commodity trade, mergers and acquisitions, equity investments and finance. Mr. Zhu served as director and president of Baota Petrochemical (HK) Co., Ltd from 2011 to 2013. Mr. Zhu has been the president of Hongkong Energy Group Investment Limited since 2013. Mr. Zhu obtained a bachelor degree in Business Administration from Dongbei University of Finance and Economics in 2006 and a certificate of Computer Information Technology Testing in 2018.

Mr. Xie Qiangming, aged 30, has joined the Company since July 2018, Prior to his re-designation as an Executive Director, Mr. Xie was an INED and a member of Audit Committee until September 2019. Mr. Xie is currently also a member of the Nomination Committee and the Remuneration Committee and an authorised representative of the Company. Mr. Xie has extensive experience in corporate strategy formulation and execution, capital markets, private equity investment and investor relations. He worked for several well-known financial institutions such as Kunwu Jiuding Investment Holdings Co., Ltd. and ICBC International Holdings Limited and was responsible for providing professional services to its clients such as corporate strategy formulation and execution, merger and acquisition projects management, in charge of private placements and fundraising projects. He was an executive director of Prosperity International Holdings (H.K.) Limited, a company listed on the main board of the Stock Exchange (stock code: 803) from July 2019 to June 2021. Mr. Xie has obtained a master degree in finance from Tsinghua University PBC School of Finance in 2016.

NON-EXECUTIVE DIRECTOR

Ms. Ng Ching, aged 30, has joined the Company as a NED since November 2021. Ms. Ng has years of experience in equity investment and securities industry. Ms. Ng is currently a financial analyst of Shenzhen Jaguar Capital Management Co., Limited (深圳市佳佳資本管理有限責任公司). Ms. Ng obtained a master's degree in financial economics from University of St. Andrews, United Kingdom in 2013 and a master's degree in actuarial science from the Cass Business School of the City University of London, United Kingdom in 2014.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Au-Yong Shong Samuel, aged 56, has joined the Company as an INED, the chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee since February 2022. Mr. Au-Yong has extensive experience in the investment banking, private equity, equity capital markets and advising on corporate finance in both Hong Kong and China. Mr. Au-Yong served as an executive director of Mega Expo Holdings Limited (currently known as Nova Group Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 1360)) and held senior positions in various investment banks and companies. He is currently a licensed responsible officer (“RO”) under the SFO to carry out Type 6 regulated activities in Upbest Securities Company Limited and Upbest Assets Management Limited (both are the wholly-owned subsidiaries of Upbest Group Limited, a company listed on the main board of the Stock Exchange (stock code: 335)). Mr. Au-Yong obtained a bachelor’s degree in science with first class honours from University of Southampton, United Kingdom in 1988. Mr. Au-Yong is also a fellow member of The Hong Kong Institute of Certified Public Accountants.

Mr. Ho Wing Chung, aged 55, has joined the Company as an INED, and a member of the Nomination Committee and the Remuneration Committee since July 2018. Mr. Ho has extensive experience in information technology (“IT”) industry especially in defining application problem and developing solution by preparing and evaluating alternative workflow, procedures and processes. He is currently working at EDPS Systems Limited as a system analyst and is responsible for overseeing and managing systems developed by external vendors. Mr. Ho worked as an IT manager in YEL Electronics Limited and was responsible for overseeing IT infrastructure and systems in Hong Kong, Taiwan and Singapore. Mr. Ho has obtained a master degree of information technology with internet applications from The Open University of Hong Kong in 2003.

Mr. Tse Sze Pan, aged 41, joined the Company as an INED, and the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee since February 2022. Mr. Tse has extensive senior management experiences in asset management and securities brokerage. Mr. Tse served as the wealth management manager of The Hongkong and Shanghai Banking Corporation Limited. He is currently the executive director, chief executive officer and RO under the SFO to carry out Type 1, 4 and 9 regulated activities in Target Capital Management Limited (a wholly-owned subsidiary of Bison Finance Group Limited, a company listed on the main board of the Stock Exchange (stock code: 888)). Mr. Tse obtained an associate degree in business from The Hong Kong Polytechnic University in 2005 and a bachelor’s degree in management from Heriot Watt University, Scotland in 2006. Mr. Tse is also an accredited certified financial planner and insurance intermediary.

SENIOR MANAGEMENT

Dr. Wang Wei Hsin, aged 54, has joined the Company as a chief financial officer since October 2021. Dr. Wang has extensive management experience in the financial services industry. Dr. Wang is an independent non-executive director of Huscoke Holdings Limited since December 2018 (a company listed on the Stock Exchange (stock code: 704)), and he served as an executive director of South China Financial Holdings Limited (a company listed on the Stock Exchange (stock code: 619)) from March 2017 to October 2018, the chairman and chief executive officer of SinoPac Securities (Asia) Limited from 2009 to 2016, the chief investment officer of Japan CDW Group and the chief financial officer of its Taiwan subsidiary, as well as co-founder of Yes-Asia.com and played significant role in China Development Industrial Bank. Dr. Wang obtained a PhD in Management Science (Financial Engineering) from Imperial College London and researched artificial intelligence and financial big data.



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company acknowledges the need for and the importance of corporate governance as one of the key elements in enhancing Shareholders' value. The Company is committed to improving its corporate governance practices in compliance with regulatory requirements and in accordance with recommended practices. As at the date of this annual report, the Company has adopted the CG Code to regulate the corporate governance issues of the Group. The Board has reviewed the Company's corporate governance practices and has formed the opinion that the Company, throughout the Reporting Period and up to the date of this annual report, has complied with the Code Provisions as set out in the CG code except for the following deviations:

The Company failed to publish the annual results for the financial year ended 31 December 2020 on time, which constituted a non-compliance with rule 13.49(1) of the Listing Rules.

Pursuant to the Code Provision C.2.1 (pre-amendment code provision A.2.1), the roles of Chairman of the Board and CEO should be separate and should not be performed by the same individual. Therefore, there was a deviation from this Code Provision during the period from 12 June 2020 to 2 September 2021 as the then Chairman of the Board, Mr. Qiao Bingya was also the then CEO. However, following the appointment of Mr. Qiu Zhenyi as Chairman of the Board and Mr. Zhu Shengsheng as CEO on 2 September 2021, the roles of Chairman and CEO have been split.

Pursuant to the Code Provision D.1.2 (pre-amendment Code Provision C.1.2), the Management should provide monthly updates to the Board to enable the Board and each Director to discharge their duties. Although the Management has provided the Board with monthly updates, there has been a slight delay, which the Company considers acceptable. In addition, the Company considers that providing such updates to the Board from time to time rather than on a regular monthly basis is sufficient for the Board and each Director to discharge their responsibilities. In the event there are any significant updates to be provided, the Company will update the Board as early as practicable for discussion and resolution.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct governing Director's securities transactions. All Directors currently in the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the Reporting Period and up to the date of this annual report.

BOARD OF DIRECTORS

The Board is responsible for overseeing the overall Group's businesses and strategies, supervision of the Management and affairs as well as monitoring of the overall operation and performance of the Group. The Board has delegated to the CEO, together with which the Directors also undertake, with the senior Management, the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established various committees and has delegated to these committees various responsibilities as set out in their respective terms of reference.



CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

The Board is collectively responsible for performing the corporate governance duties and has formalised the inclusion of the following corporate governance duties into the terms of reference of the Board:

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior Management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the annual report of the Company.

During the Reporting Period and as at the date of this annual report, the composition of the Board is set out below:

Executive Directors

Mr. Qiu Zhenyi (<i>Chairman of the Board</i>)	<i>(appointed on 2 September 2021)</i>
Mr. Zhu Shengsheng (<i>CEO</i>)	<i>(appointed on 3 June 2021)</i>
Mr. Pan Feng	<i>(appointed on 2 September 2021)</i>
Mr. Xie Qiangming	
Mr. Qiao Bingya	<i>(resigned on 2 September 2021)</i>
Mr. Zhang Yiwen	<i>(resigned on 3 June 2021)</i>

NED

Ms. Ng Ching	<i>(appointed on 15 November 2021)</i>
Mr. Sun Aimin	<i>(resigned on 15 November 2021)</i>

INEDs

Mr. Au-Yong Shong Samuel	<i>(appointed on 4 February 2022)</i>
Mr. Ho Wing Chung	
Mr. Tse Sze Pan	<i>(appointed on 4 February 2022)</i>
Mr. Cai Jianhua	<i>(resigned on 4 February 2022)</i>
Mr. Yan Xiaotian	<i>(resigned on 4 February 2022)</i>

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(Continued)*

Directors have no financial, business, family or other material/relevant relationships with each other. The biographical details of the Directors are set out on pages 17 to 18 and whose respective interests in the Company's shares are set out on page 45 of this annual report.

The Company has received from each of the INEDs a written annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and is satisfied of their independence.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Apart from an induction provided to each newly appointed Director on the first occasion of his/her appointment by the Company so as to ensure that he/she has appropriate understanding of the business and operation of the Group and that he/she is aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements, all Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the CG Code on continuous professional development during the Reporting Period:

Name of Directors	Activities
Executive Directors	
Mr. Qiu Zhenyi (<i>appointed on 2 September 2021</i>)	B & C
Mr. Zhu Shengsheng (<i>appointed on 3 June 2021</i>)	B & C
Mr. Pan Feng (<i>appointed on 2 September 2021</i>)	B & C
Mr. Xie Qiangming	B
Mr. Qiao Bingya (<i>resigned on 2 September 2021</i>)	B
Mr. Zhang Yiwen (<i>resigned on 3 June 2021</i>)	B
NED	
Ms. Ng Ching (<i>appointed on 15 November 2021</i>)	B & C
Mr. Sun Aimin (<i>resigned on 15 November 2021</i>)	B
INEDs	
Mr. Au-Yong Shong Samuel (<i>appointed on 4 February 2022</i>)	A & B & C
Mr. Ho Wing Chung	B
Mr. Tse Sze Pan (<i>appointed on 4 February 2022</i>)	A & B & C
Mr. Cai Jianhua (<i>resigned on 4 February 2022</i>)	A & B
Mr. Yan Xiaotian (<i>resigned on 4 February 2022</i>)	B



CORPORATE GOVERNANCE REPORT

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT *(Continued)*

Notes:

- A: as an attendee to seminars/conferences organised by the third parties
- B: reading technical bulletins, periodicals and other publications on subjects relevant to the roles, functions and duties of a director of a listed company
- C: as an induction provided by the Company and a third party

CHAIRMAN AND CEO

The Chairman of the Board is Mr. Qiu Zhenyi and the CEO is Mr. Zhu Shengsheng. The provisions of Chairman of the Board and CEO are held by separate persons in order to preserve independence and a balance of view and judgement.

With the support of the senior Management, the Chairman of the Board is responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings. The CEO focuses on implementing objectives, policies and strategies approved and delegated by the Board. The CEO is in charge of the Company's day-to-day management and operations. The CEO is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the articles 83(2) and (3) of the Articles of Association, a person may be appointed as a member of the Board at any time either by the Shareholders in a general meeting or by the Board in a Board meeting. Director appointed by the Board to fill a casual vacancy must retire at the first general meeting after his appointment or in the case of additional Director, at the next annual general meeting and shall then be eligible for re-election.

According to the article 84 of the Articles of Association, no less than one-third of the Directors for the time being shall retire from office by rotation at each AGM and shall be eligible for re-election. Any Director appointed by the Board pursuant to article 83(3) of the Articles of Association shall not be taken into account in determining the number of Directors who are to retire by rotation at that next AGM.

According to the article 83(5) of the Articles of Association, the Company may remove any Director by an ordinary resolution at a general meeting.

CORPORATE GOVERNANCE REPORT

BOARD PRACTICES

Notice of regular Board meetings have been and will be dispatched to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days (or any other agreed date) before each regular Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior Management.

The senior Management, including CEO and finance manager, attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

Draft minutes are normally circulated to the Directors for their comments within a reasonable time after each meeting and final versions are open for Directors' inspection.

Directors are required to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

The attendance of the Directors at the Board meetings held during the Reporting Period is set out as follows:

Name of Directors	Attendance/Total no. of meetings held during the Reporting Period
Executive Directors	
Mr. Qiu Zhenyi (<i>appointed on 2 September 2021</i>)	3/3
Mr. Zhu Shengsheng (<i>appointed on 3 June 2021</i>)	5/6
Mr. Pan Feng (<i>appointed on 2 September 2021</i>)	3/3
Mr. Xie Qiangming	8/13
Mr. Qiao Bingya (<i>resigned on 2 September 2021</i>)	10/10
Mr. Zhang Yiwen (<i>resigned on 3 June 2021</i>)	7/7
NED	
Ms. Ng Ching (<i>appointed on 15 November 2021</i>)	0/0
Mr. Sun Aimin (<i>resigned on 15 November 2021</i>)	13/13
INEDs	
Mr. Au-Yong Shong Samuel (<i>appointed on 4 February 2022</i>)	0/0
Mr. Ho Wing Chung	13/13
Mr. Tse Sze Pan (<i>appointed on 4 February 2022</i>)	0/0
Mr. Cai Jianhua (<i>resigned on 4 February 2022</i>)	13/13
Mr. Yan Xiaotian (<i>resigned on 4 February 2022</i>)	11/13



CORPORATE GOVERNANCE REPORT

DELEGATION BY THE BOARD

The Board undertakes responsibility for decision making in major Company's matters, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the CEO and the senior management of the Group.

NOMINATION COMMITTEE

The Company established a Nomination Committee on 1 October 2013 with written terms of reference adopted on the same date and updated on 30 January 2015. The primary function of the Nomination Committee is to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive. As at the date of this annual report, the Nomination Committee currently consists of five members, comprising Mr. Qiu Zhenyi, Mr. Xie Qiangming, Mr. Au-Yong Shong Samuel, Mr. Ho Wing Chung and Mr. Tse Sze Pan. Mr. Qiu Zhenyi is the chairman of the Nomination Committee.

As at the date of this annual report, the Nomination Committee had reviewed the size, structure and composition of the Board to complement the Group's corporate strategy, and nominated candidates to fill the casual vacancy arising from the resigning Director and made recommendation to the Board in order to share part of the duties and responsibilities of the Chairman of the Board.

On 30 January 2015, the Board had adopted a board diversity policy which aims to achieve the diversity of members of the Board to enhance the effectiveness of the Board. The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board possesses diverse skills, experience and perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates of Board members will be based on diversity in their respective background and experience, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

As the main business of the Group is in the mining industry, the proportion of male employees of the Group is relatively higher than that of female employees. However, when recruiting staff, the Group mainly considers factors such as the candidates' ability, experience and required remuneration packages, rather than their gender. During the Reporting Period, the gender ratio in the workforce was approximately 96% male and approximately 4% female.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE *(Continued)*

The attendance of the members of the Nomination Committee at the Nomination Committee meetings held during the Reporting Period is set out as follows:

Name of Directors	Attendance/Total no. of meetings held during the Reporting Period
Executive Directors	
Mr. Qiu Zhenyi <i>(appointed on 2 September 2021)</i>	1/1
Mr. Xie Qiangming	1/5
Mr. Qiao Bingya <i>(resigned on 2 September 2021)</i>	4/4
INEDs	
Mr. Au-Yong Shong Samuel <i>(appointed on 4 February 2022)</i>	0/0
Mr. Ho Wing Chung	4/5
Mr. Tse Sze Pan <i>(appointed on 4 February 2022)</i>	0/0
Mr. Cai Jianhua <i>(resigned on 4 February 2022)</i>	5/5
Mr. Yan Xiaotian <i>(resigned on 4 February 2022)</i>	4/5

REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 27 June 2008 with written terms of reference adopted on the same date and updated on 30 January 2015. The primary duties of the Remuneration Committee are to review and approve the Management's remuneration proposals with reference to the Board's corporate goals and objects and make recommendations to the Board on the remuneration package of individual Executive Director and senior Management. As at the date of this annual report, the Remuneration Committee currently consists of four members, namely Mr. Au-Yong Shong Samuel, Mr. Ho Wing Chung, Mr. Tse Sze Pan and Mr. Xie Qiangming. Mr. Tse Sze Pan is the chairman of the Remuneration Committee.

The Remuneration Committee has reviewed the Directors' fee (including Executive Directors and INEDs) in consideration of the increasingly level of duties and responsibilities of the Directors and the market condition and approval of the remuneration incentive structure of the Group as a whole taking consideration of factors such as salaries paid by comparable companies, time commitment and their responsibilities.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE *(Continued)*

The attendance of the members of the Remuneration Committee at the Remuneration Committee meetings held during the Reporting Period is set out as follows:

Name of Directors	Attendance/Total no. of meetings held during the Reporting Period
Executive Director	
Mr. Xie Qiangming	1/6
INEDs	
Mr. Tse Sze Pan <i>(appointed on 4 February 2022)</i>	0/0
Mr. Au-Yong Shong Samuel <i>(appointed on 4 February 2022)</i>	0/0
Mr. Ho Wing Chung	5/6
Mr. Cai Jianhua <i>(resigned on 4 February 2022)</i>	6/6
Mr. Yan Xiaotian <i>(resigned on 4 February 2022)</i>	5/6

REMUNERATION POLICY OF THE GROUP

The remuneration policy of the Group is designed to ensure that remuneration offered to the Directors and/or employees is appropriate for the respective duties performed, sufficiently compensate them for the effort and time dedicated to the affairs of the Group, and is competitive and effective in attracting, retaining and motivating employees. The key components of the Company's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus, mandatory provident funds and share options granted (if any) under the share option scheme of the Company. Details of the share option scheme of the Company are set out on pages 43 to 44 of this annual report.

The emoluments payable to Directors are determined with reference to the responsibilities, qualifications, experience, duties, performance of the Directors, prevailing market conditions and remuneration benchmark with directors of listed companies of similar size and industry nature. They include incentive bonus primarily based on the results of the Group and share options granted (if any) under the share option scheme of the Company. The Remuneration Committee performs review on the emoluments of the Directors from time to time. No Director, or any of his associates or executive, is involved in deciding his own emoluments.

Employees' remuneration packages are determined with reference to the responsibilities, qualifications and experience, duties and performance of individuals as well as prevailing market compensation packages. The packages are reviewed annually and as required from time to time.

The Group will spend resources in training, retention and recruitment programs, and encouraging staff for self-development and improvements. The Group keeps monitoring and evaluating the performance of managerial staff, aiming to achieve continuous improvements and correction of deficiencies.

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND THE FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The Directors' fees and remuneration and the emoluments of the five highest paid individuals during the year are disclosed in note 15 to the consolidated financial statements of this annual report.

The contributions to pension scheme of Directors for the year are disclosed in note 15 to the consolidated financial statements of this annual report.

AUDIT COMMITTEE

The Company established an Audit Committee on 28 October 2000 with written terms of reference adopted on the same date and updated on 30 January 2015. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process (including half-yearly and annual results), internal control and risk management systems, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. As at the date of this annual report, the Audit Committee currently consists of three INEDs, being Mr. Au-Yong Shong Samuel, Mr. Ho Wing Chung and Mr. Tse Sze Pan. Mr. Au-Yong Shong Samuel is the chairman of the Audit Committee.

For the Reporting Period, the Audit Committee discussed with the senior Management the internal controls, risk management and financial reporting matters, and reviewed the accounting principles, policies and practices adopted by the Group and the effectiveness of the Group's internal control system.

The attendance of the members of the Audit Committee at the Audit Committee meetings held during the Reporting Period is set out as follows:

Name of Directors	Attendance/Total no. of meetings held during the Reporting Period
INEDs	
Mr. Au-Yong Shong Samuel (<i>appointed on 4 February 2022</i>)	0/0
Mr. Ho Wing Chung	4/4
Mr. Tse Sze Pan (<i>appointed on 4 February 2022</i>)	0/0
Mr. Cai Jianhua (<i>resigned on 4 February 2022</i>)	4/4
Mr. Yan Xiaotian (<i>resigned on 4 February 2022</i>)	4/4

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the annual consolidated financial statements of the Company which give a true and fair view of the state of affairs, results and cash flows of the Group for the Reporting Period.



CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The Management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's consolidated financial statements which are put to the Board for approval.

Disclaimer of Opinion

Pursuant to the Code Provision D.1.3 (pre-amendment Code Provision C.1.3), the Board would like to provide more details on the Disclaimer of Opinion regarding the Company's ability to continue as a going concern.

As mentioned in the subsection headed "EXTRACT OF INDEPENDENT AUDITOR'S REPORT" in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS", the Auditor has issued a Disclaimer of Opinion on the Company's consolidated financial statements for the year ended 31 December 2021, which arising solely from going concern issue of the Group.

The net liabilities and net current liabilities of the Group was mainly attributable to number of reasons, such as the temporarily suspension of the Gold Mine production in the first quarter of 2020, high administration expenses and costs including share-based payment, high-interest financial borrowings of the Group, necessary rectification and construction projects of the Gold Mine, and significant impairment loss caused by the valuation based on old reserves data in the 2015 independent technical report that has not yet been updated.

The Gold Mine was resumed operations in August 2020, and its performance has steadily improved (which can be seen from the figures of the annual results of 2021), but continuous rectification and technical reform are still required, therefore, the management of the Group have to balance the two to maintain the normal operation and cost control measures. However, the loan borrowings and its interest are still high and this is not easy to solve, as to obtain low-interest loans from banker are less possible based on the current financial figures. Therefore, the management of the Group is trying their best to obtain other financings for other financial institutions, individuals and potential investors, once concrete proposals or terms are reached, further announcement (if applicable) will be published as soon as possible. In addition, the management of the Group is striving to seek more profitable businesses to increase the Group's overall revenue and profit to improve the performance of the Group, and to diversify and expand the Group's businesses to solve the problem of business concentration.

The management of the Group is optimistic and confident that the Company has sufficient working capital for the next twelve months because the following considerations in addition to the view that the Proposed Measures have been and/or will be taken to improve the Group's results, working capital and cashflow:

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Disclaimer of Opinion *(Continued)*

- (i) In addition to the financial support provided by the substantial Shareholders, the Company has fully settled the HK\$100 million loan on schedule. The Company is striving to find new low-interest financings or fundraising activities, or to negotiate longer repayment terms and lower interest rates with existing creditors to address short-term borrowings.
- (ii) Gold Mine had temporarily suspended production in the first quarter of 2020 to cope with the emergency COVID-19 prevention and control measures. As mentioned in the 2020 Annual Report and this annual report, Gold Mine has resumed operations and started generating revenue and profits since August 2020, and it is believed that its production and performance should be steadily improved.
- (iii) During the suspension period, Gold Mine still need to maintain and stabilise enough front-line employees to start production and implement enhancement projects immediately after resuming operations, resulting in higher administration and staff costs. The management of the Group will monitor and reduce the said costs accordingly based on the actual status of the enhancement projects and production needs.
- (iv) Gold Mine has not commissioned an updated technical report to “upgrade” the reserves and/or resources of the Gold Mine, therefore, the valuation of the mining right and property, plant and equipment has been impaired significantly. The Management will consider commissioning an updated technical report subject to the costs and expenses to be incurred in preparing the said report. Notwithstanding, as the Company is not a company listed on main board under Chapter 18 of Listing Rules, the Company is allow to, which the management of the Group also satisfied, use inferred resources to calculate the mining right value and the remaining years of production. When prepare the 2021 annual results, 50% of the inferred resources and 100% of the probable reserves of the Gold Mine were used.

Following table summarised the Proposed Measures that have been taken and will continue to be taken to improve the Group’s working capital and cash flow position and mitigate its liquidity pressure since the publication of the 2020 Annual Report:

Proposed Measures

The Group is actively negotiate with the financial institution(s) for obtaining additional financing/new borrowings

Current status

The Group is actively liaising with financial institutions/ individuals/bankers to seek new loan facilities with lower interest rate and longer maturities to improve the current financial position of the Group. Up to date of this annual report, Hunan Westralian has obtained several financing from individuals. This measure will be under monitoring and may be adjusted based on actual funding need and the results of other possible fundraising activities of the Group as mentioned below

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(Continued)*

Disclaimer of Opinion *(Continued)*

Proposed Measures

The Group has obtained letters of undertakings from substantial Shareholders confirming that they will provide continued financial support to the Group to meet its present and future financial obligations as they fall due

The Group will actively negotiate and obtain additional funds through fundraising activities

The Group will continue to negotiate with the Group's creditors with a view to extend the repayment terms of the Group's current liabilities as they fall due

The Management will continue to save or reduce costs aiming at improving the working capital and cash flow of the Group, including close monitoring of administrative expense and operating cost

Current status

Obtained

On 2 July 2021, the Company issued 252,542,676 Shares to independent third parties and raised approximately HK\$59 million net proceeds and mainly used for partial repayment of the Group's high yield borrowings which have been taken out to fund the mining operations of the Group in the PRC, and general working capital. The Group will continue to actively liaise with the financial institutions and other potential investors to invest in the Group by way of placement of new shares, issue of convertible bonds or other financial activities etc. to repay the high-interest debt and to fund its working capital. Further announcement(s) will be made as and when appropriate subject to the applicable regulations and rules

The loan extension agreement has been entered with the major creditor, and the Management will try its best to strive for a longer repayment period and lower interest rate

During the Reporting Period, Hunan Westralian's production increased proportionally, while management and administration costs did not increase significantly. The Management believed that through continuous cost control, it will further increase the output of Gold Mine and eventually achieve profitability. The Management will continue monitor its cost and expenses to control and/or reduce those unnecessary administrative costs, expenses and/or other operating costs, while the Group can still able to maintain its existing operations and explore further business development smoothly.



CORPORATE GOVERNANCE REPORT

The Audit Committee had critically reviewed the Disclaimer of Opinion, the Management's position concerning the Disclaimer of Opinion and measures taken by the Group for addressing the Disclaimer of Opinion. The Audit Committee agreed with the Management's position based on the reasons as stated herein. Moreover, the Audit Committee requested the Management to take all necessary actions to address the impact of the Disclaimer of Opinion and to strive that such situation leading to the Disclaimer of Opinion would not happen or be improved in the coming future. The Audit Committee had also discussed with the Auditor regarding the financial position of the Group, measures taken and to be taken by the Group, and considered the Auditor's rationale and understood their consideration in arriving their opinion.

The Board is of the view that the Proposed Measures are feasible and should be sufficient to address the Disclaimer of Opinion. Taking into account that if the Group is able to improve the Group's working capital, cash flow and financial position in 2022, and assuming there are no other material adverse effects that will cause the Auditor to issue other disclaimer(s) of opinion, the Board expects that the Disclaimer of Opinion may be removed in the next year's auditor's report, or at least the financial position will be greatly improved. The Auditor also holds the same view and basis in this regard.

The annual results of the Group for the Reporting Period have also been reviewed by the Audit Committee.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board and the Audit Committee acknowledge that its responsibility for overseeing the risk management and internal control systems of the Group and reviewing their effectiveness at least annually. The Group emphasises the importance of sound risk management and internal control systems which are indispensable for mitigating the Group's key risk exposures. The Group's risk management and internal control systems include a defined management structure with limits of authority, and are designed for the Group to identify and manage the significant risks to achieve its business objectives. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

For risk management, the Group has adopted a three lines of defense model to identify, assess and manage different types of risks. The Group is committed to the identification, evaluation, and management of risks associated with its business activities through ongoing assessment of a risk register, by considering the likelihood and impact of each identified risk. For any newly identified significant risks, the Group will evaluate its financial or operational impacts to the Group and adopt ongoing mitigating measures to manage such risks. The major risks of the Group are disclosed in the subsection headed "RISK AND UNCERTAINTIES" in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS".

The Group has developed an internal control system, which covers major financial, operational and compliance controls to safeguard its assets against unauthorised use, ensure the maintenance of proper accounting records and ensure compliance with relevant laws and regulations. The internal control system is reviewed on an ongoing basis by the Board and Audit Committee annually. For any identified internal control weaknesses or defects, the Group will enhance control measures to rectify such control weaknesses or defects.



CORPORATE GOVERNANCE REPORT

The Board and the Audit Committee have conducted an annual review for the need of internal audit function and has also reviewed annually for the adequacy of resources, qualifications and experience, training and budget of the accounting, internal audit and financial reporting functions.

The Company has engaged an Internal Control Consultant to conduct independent review on the risk management and internal control systems of the Group. Internal control review report were submitted to and approved by the Board and the Audit Committee. For the principal risks faced by the Group, the Management has developed ongoing mitigating measures to manage such risks. For control weaknesses identified by the Internal Control Consultant, the Group has adopted enhanced control measures to rectify relevant control weaknesses. The abovementioned annual review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. The Board considered that the risk management and internal control systems of the Group were effective during the Reporting Period. The improvement of the systems of risk management and internal control is an ongoing process and the Board maintains a continuing commitment to strengthen the Group's environment control and processes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Board is responsible for effective governance and oversight of the environmental, social and governance matters, as well as assessment and management of material environmental and social risks. The ESG Report is prepared in accordance with the ESG Reporting Guide and will be separately published on the websites of the Company and the Stock Exchange together with this annual report at the same time.

DIVIDEND POLICY

The Company has adopted a Dividend Policy ("Dividend Policy") with effect from 1 January 2019. The Board will consider the following factors before declaring or recommending dividends:

- the Company's operational results;
- the Company's cash flow situation;
- the Company's financial conditions;
- shareholders' interests;
- general business conditions and strategies;
- the Company's capital expenditure requirements;
- past dividend payout ratio/trends;
- statutory and regulatory restrictions;
- payment by the Company's subsidiaries of cash dividends to the Company; and
- other factors the Board may deem relevant.

Such declaration and payment of the dividend by the Company is also subject to any restrictions under the Companies Laws of the Cayman Islands, any applicable laws, rule and regulations and the Articles of Association of the Company.

The Board will review the Dividend Policy from time to time and may exercise at its sole and absolute discretion to update, amend and/or modify the dividend policy at any time as it deems fit and necessary.

CORPORATE GOVERNANCE REPORT

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group has put in place the procedures and internal controls for the handling and dissemination of inside information. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as stated in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The Company's independent external auditor is ZHONGHUI ANDA. The Audit Committee is mandated to ensure continuing auditors' objectivity and safeguarding independence of the auditors. Up to the date of this annual report, the Audit Committee has considered and made recommendation to the Board on the engagement of ZHONGHUI ANDA as auditor of the Group in respect of the consolidated financial statements for the Reporting Period and the corresponding audit fees estimation.

For the Reporting Period, the remuneration paid/payable by the Company to ZHONGHUI ANDA and other ZHONGHUI ANDA network firms in respect of their audit and other non-audit services were as follows:

	HK\$
Annual audit services	1,100,000
Non-audit services	
– Services in relation to internal control review services	65,000
– Services in relation to environmental, social and governance reporting	75,000
– Other services	32,000
Total fees	<u>1,272,000</u>

CONSTITUTIONAL DOCUMENT

The Articles of Association was adopted by the Shareholders on 22 February 2016 for housekeeping purpose and for the purpose of conforming with certain amendments to the Listing Rules which had become effective since the last amendment of the Articles of Association.



CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions. The general meetings of the Company provide a forum for face-to-face communication between the Board and the Shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available to answer questions at Shareholder's meetings.

To facilitate effective communication, the Company publishes the up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information on its website for public access.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at the general meetings, including the election of individual Directors.

All resolutions put forward at the general meetings will be voted on by poll pursuant to the Listing Rules, and the poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

The procedures for Shareholders to convene an EGM are governed by article 58 of the Articles of Association. A written requisition must be addressed to the Board or the Company Secretary. On the written requisition of Shareholders holding not less than one-tenth of such of the paid-up share capital of the Company as at the date of lodgment of the requisition, and the Board must proceed duly to convene an EGM.

The written requisition must state the objectives (which must be capable of being effectively achieved) of the meeting, be signed by the Shareholders who propose to convene the meeting, and be lodged at the registered office of the Company. The Board must thereafter within 21 days from the lodgment of the requisition proceed duly to convene a meeting for a day not more than 2 months after the date on which the notice convening the meeting is given.

Whilst giving the above written requisition, Shareholders are recommended to provide written explanation of the reasons and material implications relating to the proposed resolution to enable all of the Shareholders to properly consider and determine the proposed resolution.

The Company will, upon receipt of a properly lodged requisition referred to above, issue a notice of EGM of the proposed resolutions and (if applicable) circulars containing further information relating to the proposed resolution in accordance with the Listing Rules.



CORPORATE GOVERNANCE REPORT

Shareholders who intend to put forward their enquiries to the Board could send their enquiries to the Company's head office and principal place of business in Hong Kong or by email to contact@rasr.com.hk.

Shareholders can contact Tricor Tengis Limited, the Company's branch share registrar and transfer office in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

COMPANY SECRETARY

Ms. Sun Shui was engaged as Company Secretary on 29 June 2016. The Company Secretary will report to the Chairman of the Board and/or the CEO. The Company Secretary will take no less than 15 hours of relevant professional training every year.



REPORT OF THE DIRECTORS

The Board is pleased to present its report together with the audited consolidated financial statements of the Company for the Reporting Period.

COMPANY INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY 1-1111, Cayman Islands. The address of its principal place of business is Unit 1802, 18/F., The L. Plaza, Nos. 367-375 Queen's Road Central, Hong Kong. The Company's shares are listed on the main board of the Stock Exchange.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Company, through its major subsidiaries, is principally engaged in:

- (i) Mining products segment – engaged in gold mining, exploration and trading of gold products;
- (ii) Money lending segment – provision of money lending services; and
- (iii) Trading and wholesale segment – engaged in trading of coal and wholesale and trading of frozen meat.

The activities of the subsidiaries are set out in note 22 to the consolidated financial statements of this annual report.

An analysis of the performance of the Group for the Reporting Period by operating segments is set out in note 8 to the consolidated financial statement of this annual report and detailed management discussion and analysis is set out on pages 5 to 16 of this annual report.

BUSINESS REVIEW

The business review of the Group for the Reporting Period is set out in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" on pages 5 to 16 of this annual report.

RESULTS AND RESERVES

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 50 of this annual report.

Details of movements in the reserves of the Group during the Reporting Period are set out on page 53 in the consolidated statement of changes in equity of this annual report.

Under the Companies Law, share premium of the Company is available for distributions or paying dividends to the Shareholders subject to the provisions of the Articles of Association and a statutory solvency test. In accordance with the article 134 of the Articles of Association, dividends may be declared and paid out of the profits of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account. As at 31 December 2021, the Company has no reserves available for distribution to the Shareholders (2020: nil).

FINAL DIVIDENDS

The Board does not recommend the payment of a final dividend for the Reporting Period (2020: nil).

CHARITABLE DONATIONS

The Group made no charitable and other donations for the Reporting Period (2020: nil).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 112 of this annual report. This summary does not form part of the audited consolidated financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Group's five largest suppliers accounted for 79.08% of the Group's total purchases, and the purchase from the Group's largest supplier included therein accounted for 53.08% of the total purchase for the year.

For the Reporting Period, the Group's sales to its five largest customers accounted for 77.20% of the Group's total sales, and the sales to the largest customer included therein accounted for 34.95% of the total sales for the year.

None of the Directors, any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's top five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 18 to the consolidated financial statements of this annual report.

SHARE CAPITAL

As at 31 December 2021, the authorised share capital of the Company was HK\$250,000,000, divided into 25,000,000,000 Shares of HK\$0.01 each, of which 1,515,256,058 Shares were issued and fully paid up or credited as fully paid up in the amount of HK\$15,152,560.58. Details of movement in the share capital of the Company during the Reporting Period are set out in note 31 to the consolidated financial statements of this annual report.



REPORT OF THE DIRECTORS

CAPITAL REORGANISATION

On 27 November 2019, The Board proposed to implement the capital reorganisation which entails the Share Consolidation and Capital Reduction. The Capital Reorganisation was approved by the Shareholders at the EGM and was completed on 16 March 2020.

Details of abovementioned Capital Reorganisation, please refer to the (i) circular which published on the websites of Stock Exchange and the Company on 6 December 2019; (ii) the announcement of the Company dated 30 December 2019 in respect of the poll results of the EGM; and (iii) the announcements of the Company dated 5 February 2020 and 16 March 2020 in respect of the updated expected timetable of the Capital Reorganisation and the change in board lot size.

SETTLEMENT AGREEMENTS AND SUBSCRIPTION AGREEMENTS

- (i) On 27 March 2020, the Company entered into Wu Settlement Agreement with Creditor B, being the only remaining CB Settlement Creditor, for the settlement of the amount due to him as at 23 May 2019, i.e. HK\$18,161,039.18, being the principal amount and interest accrued under the bonds up to 23 May 2019. On 30 June 2020, further supplementary agreement was entered into between the Company and Creditor B to extend the final settlement date of the remaining outstanding amount under the Wu Settlement Agreement to 30 September 2020. Pursuant to the aforesaid Wu Settlement Agreement and the supplementary agreement, the Company may, in its absolute discretion, elect to repay the remaining either in cash or by the issue of new Shares to Creditor B as settlement shares by 30 September 2020.

On 20 August 2020, the Company received a transfer form signed by Creditor B as transferor and Ms. Tung as transferee whereby Creditor B assigned to Ms. Tung all his rights under the Relevant Bonds (as amended by the Wu Settlement Agreement) with respect to the entire outstanding amount of HK\$9,951,528.08.

On 31 August 2020, the Company and Ms. Tung entered into Tung Settlement Agreement in relation to the settlement of the amount owed by the Company under the Relevant Bonds and the Wu Settlement Agreement, being HK\$9,951,528.08. On 9 October 2020, the Company issued and allotted 70,789,074 Shares to Ms. Tung at a price of HK\$0.14058 per Share (the closing market price on the agreement date was HK\$0.153) under general mandate to fully settle and repay the aforesaid outstanding amount pursuant to the Tung Settlement Agreement. The nominal value of the settlement shares is HK\$707,890.74.

For details of abovementioned settlement agreements, please refer to the note 31 to the consolidated financial statements of this annual report, and the announcements of the Company dated 27 March 2020, 31 August 2020 and 9 October 2020.

SETTLEMENT AGREEMENTS AND SUBSCRIPTION AGREEMENTS *(Continued)*

- (ii) On 9 November 2020, the Company entered into one subscription agreement with each of the three parties independent of the Company and its connected persons, namely Mr. Liu Jie, Mr. Wang Baoli and Mr. Zhou Hongliang. On 27 November 2020, a total of 139,500,000 Shares were issued and allotted by the Company under general mandate to the aforesaid subscribers at the subscription price of HK\$0.09918 per Share (the closing market price on the agreement date was HK\$0.120) pursuant to the subscription agreements. The aggregate nominal value of the subscription shares is HK\$1,395,000. One of the major reasons for the issuance of the subscription is that the subscription can provide the Company with additional funds to settle its committed payment obligations under the capital increase agreement entered into with the Target Company.

As at 31 December 2021, the net proceeds of approximately HK\$13.7 million (of which approximately HK\$5 million was planned to be used to settle the outstanding capital contribution to the Target Company, and the remaining approximately HK\$8.7 million was planned to be used as general working capital of the Group) have been fully utilised in according with the intention disclosed in the announcement of the Company dated 27 November 2020.

Details of the subscription agreements, please refer to note 31 to the consolidated financial statements of this annual report, the announcements of the Company dated 9 November 2020, 27 November 2020 and 27 August 2021.

- (iii) On 2 July 2021, the Company entered into one subscription agreement with each of the four parties independent of the Company and its connected persons, namely Mr. Liu Jie, Mr. Wang Wenhuan, Mr. Luo Li and Ms. Yu Xiaofeng. On 19 July 2021, a total of 252,542,676 Shares were issued and allotted by the Company under general mandate to the aforesaid subscribers at the subscription price of HK\$0.234 per Share (the closing market price on the agreement date was HK\$0.239) pursuant to the subscription agreements. The aggregate nominal value of the subscription shares is HK\$2,525,426.76. One of the major reasons for the issuance of the subscription is that the subscription can provide the Company with additional funds, enhance its working capital and strengthen its capital base and financial position.

As at the date of this annual report, the net proceeds of approximately HK\$59 million (of which approximately HK\$54 million was planned to be used as partial repayment of the Group's high yield borrowings which had been taken out to fund the mining operations of the Group in the PRC, and the remaining approximately HK\$5 million was planned to be used as general working capital of the Group) have been fully utilised in according with the intention disclosed in the announcement of the Company dated 2 July 2021.

Details of the subscription agreements, please refer to note 31 to the consolidated financial statements of this annual report, and the announcements of the Company dated 2 July 2021 and 19 July 2021.

BORROWINGS AND OTHER BORROWINGS

The total borrowings of the Group as at 31 December 2021 amounted to approximately HK\$261,926,000 (2020: approximately HK\$308,103,000). Particulars of borrowings and other borrowings are set out in notes 27 and 29 to the consolidated financial statements of this annual report.



REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the Reporting Period and up to the date of this report were:

Executive Directors

Mr. Qiu Zhenyi (*Chairman of Board*) (*appointed on 2 September 2021*)

Mr. Zhu Shengsheng (*CEO*) (*appointed on 3 June 2021*)

Mr. Pan Feng (*appointed on 2 September 2021*)

Mr. Xie Qiangming

Mr. Qiao Bingya (*resigned on 2 September 2021*)

Mr. Zhang Yiwen (*resigned on 3 June 2021*)

NED

Ms. Ng Ching (*appointed on 15 November 2021*)

Mr. Sun Aimin (*resigned on 15 November 2021*)

INEDs

Mr. Au-Yong Shong Samuel (*appointed on 4 February 2022*)

Mr. Ho Wing Chung

Mr. Tse Sze Pan (*appointed on 4 February 2022*)

Mr. Cai Jianhua (*resigned on 4 February 2022*)

Mr. Yan Xiaotian (*resigned on 4 February 2022*)

In accordance with article 83(3) of the Articles of Association, Ms. Ng Ching, who was appointed as Director on 15 November 2021; and Mr. Au-Yong Shong Samuel and Mr. Tse Sze Pan, who were appointed as Directors on 4 February 2022, shall retire from office at the first general meeting of the Company after their appointments and, being eligible, will offer themselves for re-election as Director.

In accordance with article 84 of the Articles of Association, at each annual general meeting one-third of the Directors from the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Any Director appointed by the Board pursuant to article 83(3) shall not take into account in determining which particular Directors or the number of Directors who are to retire by rotation. The retiring Director shall be eligible for re-election. Accordingly, Mr. Zhu Shengsheng and Mr. Pan Feng will retire at the AGM and, being eligible, will offer themselves for re-election as Directors.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors as at the date of this report are set out on pages 17 to 18 of this annual report.

REPORT OF THE DIRECTORS

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the current INEDs has confirmed their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs to be independent in accordance with the Listing Rules.

CHANGES IN DIRECTORS' INFORMATION

Save as disclosed below and/or in the 2021 Interim Report or otherwise in this annual report, pursuant to rule 13.51B(1) of the Listing Rules, there is no change to the directorship and no updated information since the date of 2021 Interim Report and up to the date of this report.

Name of Directors	Details of Changes
Mr. Au-Yong Shong Samuel	Appointed as an INED, member and chairman of the Audit Committee and member of Nomination Committee and Remuneration Committee on 4 February 2022
Mr. Cai Jianhua	Resigned from all positions with the Company on 4 February 2022
Ms. Ng Ching	Appointed as a Non-executive Director on 15 November 2021
Mr. Pan Feng	Appointed as an Executive Director on 2 September 2021
Mr. Qiu Zhenyi	Appointed as an Executive Director, Chairman of the Board and member and chairman of the Nomination Committee on 2 September 2021
Mr. Sun Aimin	Resigned from all positions with the Company on 15 November 2021
Mr. Tse Sze Pan	Appointed as an INED, member and chairman of the Remuneration Committee and member of Nomination Committee and Audit Committee on 4 February 2022
Mr. Yan Xiaotian	Resigned from all positions with the Company on 4 February 2022
Mr. Zhu shengsheng	Appointed as the Company's authorised representative on 2 September 2021

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

No Director proposed for re-election at the forthcoming AGM has a services contract with the Company which exceeds three years and is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

According to the respective service contracts of the four Executive Directors, the terms of Mr. Xie Qiangming and Mr. Zhu Shengsheng will expire on 29 September 2023 and 2 June 2024 respectively, and the terms of Mr. Pan Feng and Mr. Qiu zhenyi, will expire on 1 September 2024.

According to the appointment letter, the term of the NED, Ms. Ng Ching, will expire on 14 November 2022.

According to the respective appointment letters of the three INEDs, the term of Mr. Ho Wing Chung will expire on 16 July 2022, and the terms of Mr. Au-Yong Shong Samuel and Mr. Tse Sze Pan will expire on 3 February 2023.



REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section head "Connected Transactions and Related Party Transactions" below and notes 27 and 35 to the consolidated financial statements of this annual report, no transaction, arrangement or contract of significance in relation to the Group's business in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at any time during the Reporting Period or at the end of the year 2021.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

On 10 August 2020, the Company and its wholly-owned subsidiary, Westralian Resources, entered into the Settlement Agreement with Mr. Cai with respect to the settlement and rescheduling of RMB58,485,000, being the amount owed by the Company to Mr. Cai under the Loan Agreement as at 31 July 2020. In connection with the settlement arrangements, the Company and Westralian Resources have agreed to sell the 29% equity interest in Hunan Westralian, a company owned as to 80% by Westralian Resources, to Mr. Cai for RMB38,485,000 to partially settle the outstanding amount owed to Mr. Cai on a dollar for dollar basis. In return, Mr. Cai has agreed to extend the maturity date and the drawdown period under the Loan Agreement to 31 August 2021.

The Proposed Disposal constituted a "transaction" under Chapter 14 of the Listing Rules. As the highest percentage ratio applicable for the Proposed Disposal is above 5% but below 25%, the Proposed Disposal constituted a discloseable transaction for the Company and was therefore subject to the reporting and announcement requirements, but exempt from the circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Mr. Cai was a director of Hunan Westralian, which is a subsidiary of Westralian Resources, he was regarded as a then connected person of the Company at subsidiary level. As such, the Proposed Disposal and the Proposed Extension also constituted connected transactions of the Company under Chapter 14A of the Listing Rules. The Proposed Disposal and the Proposed Extension are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

As at the date of this annual report, the Loan Agreement has been further extended to 31 March 2022 and the Company has in liaising and negotiating with Mr. Cai for further extension.

Details of the settlement arrangements, please refer to note 27 to the consolidated financial statements of this annual report, and the announcement of the Company dated 10 August 2020.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

(Continued)

Save as disclosed above and in the section headed “Directors’ Interests in Transactions, Arrangements or Contracts of Significance” above and notes 27 and 35 to the consolidated financial statements of this annual report, no other connected transaction nor related party transaction of the Company has been carried out during the Reporting Period.

In relation to the loans and transactions disclosed under notes 27 and 35 to the consolidated financial statements of this annual report, the loans and transactions are fully exempted connected transactions under Rule 14A.90 of the Listing Rules as they are conducted on normal commercial terms and are unsecured by the assets of the Group.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme which was approved by Shareholders at the extraordinary general meeting held on 22 February 2016.

The exercise period of the share options is determined by the Board, which are entitled to make any offer to any eligible participant within the 10 years period starting from 22 February 2016, they may determine the number of underlying shares, the subscription price and the expiration day in full discretion.

The goal of the Share Option Scheme is to enable the Group to grant share options to eligible participants as incentives or rewards for their contributions to the Group, thereby linking their interests with that of the Group. The eligible participants include any employee, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary).

The total number of shares the Company may issue upon exercise of the option granted to each participant in any 12-month period under the Share Option Scheme is limited to 1% of the shares of the Company issued. Any further grant of share options exceeding this limit is subject to Shareholders’ approval in a general meeting.

Under the Share Option Scheme, any share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, is subject to INEDs’ approval. In the cases where share options are granted to a substantial shareholder or an INED, (i) if the total number of Shares granted exceeds 0.1% of the issued Shares, or (ii) if the aggregated value (based on the closing price at the date of grant) is over HK\$5 million within the 12-month period, the grant is subject to Shareholders’ approval in a general meeting.

The offer of a grant of share options shall deem to be accepted when the offer letter is duly signed by the grantee and the nominal consideration for the grant of HK\$1 is received by the Company within 21 days from the date of the offer.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME *(Continued)*

The exercise price of the share option is determined by the Board, but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet of Stock Exchange on the date of the offer of the grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.

The maximum number of shares options that can be exercised under the refreshed mandate limit of the Share Option Scheme is 87,724,887 Shares (representing 10% of the then issued share capital of the Company as at the refreshment date of 28 June 2016, and approximately 5.79% of the total number of issued share capital of the Company as at the date of this report) were granted to the grantees on 16 September 2021.

Details of movement of the share options during the Reporting Period as follows:

	Grant date	Exercise price (HK\$)	Exercisable period	Closing price of the Company's shares immediately before the grant date (HK\$)	Number of share options					As at 31/12/2021
					As at 1/1/2021	Granted	Exercised ⁽²⁾	Lapsed	Cancelled	
Mr. Pan Feng <i>(Executive Director)</i>	16/9/2021	0.284	15/11/2021– 15/09/2023	0.280	–	15,150,000	–	–	–	15,150,000
Mr. Qiu Zhenyi <i>(Executive Director)</i>	16/9/2021	0.284	15/11/2021– 15/09/2023	0.280	–	15,150,000	–	–	–	15,150,000
Mr. Zhu Shengsheng <i>(Executive Director)</i>	16/9/2021	0.284	15/11/2021– 15/09/2023	0.280	–	15,150,000	–	–	–	15,150,000
Continuous contract employees	16/9/2021	0.284	15/11/2021– 15/09/2023	0.280	–	29,000,000	–	–	–	29,000,000
Consultant ⁽¹⁾	16/9/2021	0.284	15/11/2021– 15/09/2023	0.280	–	13,274,887	–	–	–	13,274,887

Notes:

- (1) The share options were granted to a consultant, Upgain Management Limited, in recognition of its past and/or future contributions and services provided to and/or to be provided to the Group.
- (2) No share option was exercised during the Reporting Period, therefore, the weighted average closing price of the relevant Shares immediately before the dates on which the options were exercised was zero.

REPORT OF THE DIRECTORS

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Brief summary of the remuneration policy of the Group is set out in page 26 of this annual report. Details of the Directors' fee and remuneration of the Directors and the emoluments of the five highest paid individuals during the Reporting Period are set out in note 15 to the consolidated financial statements of this annual report.

PENSION SCHEMES

Details of the pension schemes are set out in notes 4 and 15 to the consolidated financial statements of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES OF THE COMPANY

Save as disclosed below, as at 31 December 2021, none of the Directors or chief executive of the Company or their associates had any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange:

Name of Directors	Capacity	Number of Shares/ Underlying Shares	Approximate percentage of shareholding
Mr. Pan Feng	Beneficial owner	15,150,000 ⁽¹⁾	0.99%
Mr. Qiu Zhenyi	Beneficial owner	15,150,000 ⁽¹⁾	0.99%
Mr. Zhu Shengsheng	Beneficial owner	15,150,000 ⁽¹⁾	0.99%

Note:

1. Share options granted to the Directors by the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period was the Company, any of its subsidiaries, its holding company or a subsidiary of its holding company a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive (including their spouse and children under 18 years of age) had an interest in, or been granted any rights to subscribe for the securities of the Company and its associated corporations (within the meaning of the SFO), or had exercised any such right.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

Save as disclosed below, as at 31 December 2021, to the best knowledge of the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company, as recorded in the register maintained by the Company pursuant to section 336 of the SFO:

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of shareholding
Reconstruction Capital Group Limited ⁽¹⁾	Beneficial owner	295,898,241	19.52%
Ms. Sun Guiling ⁽¹⁾	Interest of controlled corporation	295,898,241	19.52%
Mr. Wang Song ⁽¹⁾	Interest of controlled corporation	295,898,241	19.52%
Mr. Ng Chikong	Beneficial owner	87,007,209	5.74%
Ms. Wang Juan	Beneficial owner	165,101,665	10.89%

Notes:

1. Reconstruction Capital Group Limited is a company directly held 50% by Ms. Sun Guiling and 50% by Mr. Wang Song, therefore they are deemed to be interested in the Shares in which Reconstruction Capital Group Limited is interested in.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the Companies Law, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or their respective associates had, either directly or indirectly, an interest in a business which causes or may cause any significant competition with the businesses of the Group during the Reporting Period.



REPORT OF THE DIRECTORS

REVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee has reviewed with the Management and the Auditor, the accounting principles and policies as adopted by the Company, the practices of the Group and the audited consolidated financial statements for the Reporting Period.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 19 to 35 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued share capital throughout the Reporting Period and as at the date of this report.

AUDITOR

ZHONGHUI ANDA was appointed as the auditor of the Group on 10 October 2014 for conducting the audit works of the Group since then.

ZHONGHUI ANDA shall retire in the forthcoming AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of ZHONGHUI ANDA as the auditor of the Group will be proposed at the forthcoming AGM.

On behalf of the Board

Qiu Zhenyi

Chairman of the Board

Hong Kong, 20 April 2022

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF RENAISSANCE ASIA SILK ROAD GROUP LIMITED

(Formerly known as China Billion Resources Limited)

(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Renaissance Asia Silk Road Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 111, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the material uncertainty relating to the going concern basis described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately HK\$100,985,000 for the year ended 31 December 2021 and as at 31 December 2021 the Group had net current liabilities and net liabilities approximately HK\$257,199,000 and approximately HK\$39,843,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon (i) the successful completion of various proposed measures and (ii) the successful outcome that certain measures to improve its financial position, to provide liquidity and cash flows. The consolidated financial statements do not include any adjustments that would result from the failure to complete various proposed measures and the failure to improve its financial position to provide liquidity and cash flows. We consider that the material uncertainty has been adequately disclosed in the consolidated financial statements. However, in view of the extent of the multiple uncertainty relating to (i) the successful completion of various proposed measures and (ii) the successful outcome that certain measures to improve its financial position, to provide liquidity and cash flows, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.



INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the significance of the material uncertainty relating to the going concern basis described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Yeung Hong Chun

Audit Engagement Director

Practising Certificate Number P07374

Hong Kong, 25 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	9	119,066	57,152
Cost of sales		(66,534)	(30,298)
Gross profit		52,532	26,854
Other income	10	22,022	1,875
Administrative expenses		(44,206)	(33,678)
Other expenses	11	(80,895)	(120,762)
Loss from operations		(50,547)	(125,711)
Finance costs	12	(55,273)	(43,818)
Loss before tax		(105,820)	(169,529)
Income tax credit	13	4,835	6,256
Loss for the year	14	(100,985)	(163,273)
Other comprehensive income/(loss):			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value changes of equity investments at fair value through other comprehensive income		4,251	2,853
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(12,087)	11,185
Other comprehensive (loss)/income for the year		(7,836)	14,038
Total comprehensive loss for the year		(108,821)	(149,235)
Loss for the year attributable to:			
Owners of the Company		(55,378)	(108,567)
Non-controlling interests		(45,607)	(54,706)
Loss for the year		(100,985)	(163,273)
Total comprehensive loss attributable to:			
Owners of the Company		(61,998)	(92,228)
Non-controlling interests		(46,823)	(57,007)
Total comprehensive loss		(108,821)	(149,235)
Loss per share (HK cents)			
Basic	17	(4.02)	(10.03)
Diluted	17	N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment	18	137,935	114,917
Right-of-use assets	19	1,254	3,752
Mining right	20	59,639	75,746
Equity investments at fair value through other comprehensive income	21	64,382	60,058
		<u>263,210</u>	<u>254,473</u>
Current assets			
Trade and other receivables	23	19,689	18,400
Loan receivables	24	411	91,003
Bank and cash balances		7,274	9,307
		<u>27,374</u>	<u>118,710</u>
Current liabilities			
Trade and other payables	25	50,337	36,812
Contract liabilities	26	9,553	10,946
Borrowings	27	223,808	53,655
Lease liabilities	28	875	2,476
Other borrowings	29	–	112,575
		<u>284,573</u>	<u>216,464</u>
Net current liabilities		<u>(257,199)</u>	<u>(97,754)</u>
Total assets less current liabilities		<u>6,011</u>	<u>156,719</u>
Non-current liabilities			
Borrowings	27	38,118	141,873
Lease liabilities	28	456	1,690
Deferred tax liabilities	30	7,280	11,802
		<u>45,854</u>	<u>155,365</u>
NET (LIABILITIES)/ASSETS		<u>(39,843)</u>	<u>1,354</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Capital and reserves			
Share capital	31	15,153	12,627
Reserves	32	<u>238,679</u>	<u>235,579</u>
Equity attributable to owners of the Company		253,832	248,206
Non-controlling interests		<u>(293,675)</u>	<u>(246,852)</u>
TOTAL EQUITY		<u>(39,843)</u>	<u>1,354</u>

The consolidated financial statements on pages 50 to 111 were approved and authorised for issue by the board of directors on 25 March 2022 and are signed on its behalf by:

Approved by:

Qiu Zhenyi
Director

Zhu Shengsheng
Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share-based payment reserve HK\$'000	Foreign currency translation reserve HK\$'000	Equity investment revaluation reserve HK\$'000	Equity (Accumulated losses)/ retained earning HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2020	210,485	517,792	300	-	26,275	-	(595,946)	158,906	(73,914)	84,992
Capital reorganisations (note 31(ii))	(199,961)	(517,792)	-	-	-	-	717,753	-	-	-
Issue of settlement shares (note 31(ii))	708	8,212	-	-	-	-	-	8,920	-	8,920
Issue of subscription shares (note 31(iii))	1,395	12,440	-	-	-	-	-	13,835	-	13,835
Disposal of partial interest in a subsidiary	-	-	-	-	-	-	158,773	158,773	(115,931)	42,842
Total comprehensive income/(loss) for the year	-	-	-	-	13,486	2,853	(108,567)	(92,228)	(57,007)	(149,235)
At 31 December 2020	<u>12,627</u>	<u>20,652</u>	<u>300</u>	<u>-</u>	<u>39,761</u>	<u>2,853</u>	<u>172,013</u>	<u>248,206</u>	<u>(246,852)</u>	<u>1,354</u>
At 1 January 2021	12,627	20,652	300	-	39,761	2,853	172,013	248,206	(246,852)	1,354
Issue of subscription shares (note 31(iv))	2,526	56,569	-	-	-	-	-	59,095	-	59,095
Share-based payments	-	-	-	8,529	-	-	-	8,529	-	8,529
Total comprehensive (loss)/income for the year	-	-	-	-	(10,871)	4,251	(55,378)	(61,998)	(46,823)	(108,821)
At 31 December 2021	<u>15,153</u>	<u>77,221</u>	<u>300</u>	<u>8,529</u>	<u>28,890</u>	<u>7,104</u>	<u>116,635</u>	<u>253,832</u>	<u>(293,675)</u>	<u>(39,843)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 HK\$'000	2020 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(105,820)	(169,529)
Adjustments for:		
Finance costs	55,273	43,818
Interest income	(21)	(14)
Depreciation	15,621	13,032
Amortisation of mining right	1,536	1,044
Waiver from other borrowings	(18,042)	–
Gain on settlement of convertible bonds by shares	–	(1,032)
Impairment loss on property, plant and equipment	51,339	68,785
Impairment loss on prepayments for property, plant and equipment and construction	797	1,517
Impairment loss on trade receivables	6,544	–
(Reversal of)/impairment loss on loan receivables	(3,538)	4,737
Impairment loss on mining right	22,215	45,344
Share option expenses	8,529	–
Gain on lease termination	(421)	–
Impairment loss on right-of-use assets	–	379
Operating profit before working capital changes	34,012	8,081
Change in loan receivables	94,130	13,073
Change in trade and other receivables	(8,524)	21,629
Change in trade and other payables	13,525	(8,295)
Change in contract liabilities	(1,393)	10,946
Net cash generated from operating activities	131,750	45,434
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	21	14
Purchases of property, plant and equipment	(75,301)	(84,315)
Purchase of equity investment at fair value through other comprehensive income	–	(57,205)
Net cash used in investing activities	(75,280)	(141,506)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 HK\$'000	2020 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings raised	61,806	81,293
Repayment of borrowings	(51,457)	(11,858)
Repayment of other borrowings	(96,320)	–
Repayment of lease liabilities	(831)	(1,860)
Lease interests paid	(66)	(96)
Loan interests paid	(12,926)	(44)
Proceeds from issue of shares	59,095	13,835
Net cash (used in)/generated from financing activities	(40,699)	81,270
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Effect of foreign exchange rate changes	(17,804)	(18,388)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,307	42,497
CASH AND CASH EQUIVALENTS AT END OF YEAR	7,274	9,307
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	7,274	9,307



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Unit 1802, 18/F., The L Plaza, Nos. 367-375 Queen's Road Central, Hong Kong. The Company's shares are listed on the main board of the Stock Exchange.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 22 to the consolidated financial statements.

2. GOING CONCERN BASIS

The Group incurred a loss of approximately HK\$100,985,000 for the year ended 31 December 2021 and as at 31 December 2021 the Group had net current liabilities and net liabilities of approximately HK\$257,199,000 and approximately HK\$39,843,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Group's financial position, to provide liquidity and cash flows and sustain the Group as a going concern, the Group has been implementing a number of measures, including but not limited to:

- (i) The Group is negotiating with lender to roll over the loan repayments and extend repayment of interests; and
- (ii) The Group is looking for potential investor(s) to invest in the Company.

In addition, the Group is currently focusing on the integration of gold mines and strengthening its operations of production and sales of gold, and the management of the Group is also implementing cost-saving measures to improve its operating cash flows and financial position.

On the basis that the Group can successfully completed the various proposed measures as mentioned above to improve its operating results and cash flows, the Directors believe that the Group will have sufficient funds to finance its current working capital requirements in the next twelve months from the end of the reporting date. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise HKFRS, HKAS and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

New standards, amendments and revised conceptual framework not yet adopted

Standards, amendments and revised conceptual framework that have been issued but not yet effective on 1 January 2021 and not been early adopted by the Group are as follows:

		Effective for the financial year beginning on or after
HKFRS 16	Amendments in relation to Covid-19-Related Rent Concessions	1 June 2021
HKFRS 3	Amendments in relation to Reference to the Conceptual Framework	1 January 2022
HKAS 16	Amendments in relation to Proceeds before Intended Use	1 January 2022
HKAS 37	Amendments in relation to Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1	Amendments in relation to Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1	Amendments in relation to Disclosure of Accounting Policies	1 January 2023
HKAS 8	Amendments in relation to Definition of Accounting Estimates	1 January 2023
HKAS 12	Amendments in relation to Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HK – int 5	Amendments in relation to Amendments to HKAS 1	1 January 2023
HKFRS 10 and HKAS 28	Amendments in relation to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Annual Improvements to HKFRSs 2018 – 2020 Cycle

		Effective for the financial year beginning on or after
HKFRS 1	Subsidiary as a first-time adopter	1 January 2022
HKFRS 9	Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
HKFRS 16	Lease incentives	1 January 2022
HKAS 41	Taxation in fair value measurements	1 January 2022

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost conventions, as modified by the revaluation of investments which are carried at fair values. These consolidated financial statements are presented in Hong Kong dollars (HK\$) and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 5 to these consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in HK\$, which is the Company's functional and presentation currency.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(c) Translation on consolidation (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	20%
Plant and machinery	20%
Furniture, fixtures and equipment	15%-25%
Motor vehicles	10%

Depreciation of mining infrastructure is calculated using the units of production method to write off the cost of the assets proportionately to the extraction of the proved and probable mineral reserves.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Stripping costs

Stripping costs incurred in the development of a mine before production commences are capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a units of production basis.

Stripping costs incurred subsequently during the production phase of its operation are deferred for those operations where this is the most appropriate basis for matching the cost against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in stripping costs over the life of the mine. The amount of stripping costs deferred is based on the strip ratio obtained by dividing the tonnage of waste mined by the quantity of minerals contained in the ore. Stripping costs incurred in the period are deferred to the extent that the current period ratio exceeds the life of the mine strip ratio. Such deferred costs are then charged to profit or loss to the extent that, in subsequent periods, the current period ratio falls short of the life of mine ratio. The life of mine ratio is based on economically recoverable reserves of the mine. Changes are accounted for prospectively, from the date of the change.

Deferred stripping costs are included as part of "Mining infrastructure". These form part of the total investment in the relevant cash generating units, which are reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

Mining right

Mining right is stated at cost less accumulated amortisation and any impairment losses. Mining right includes the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining right is amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the units of production method. Mining right is written off to profit or loss if the mining property is abandoned.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal useful lives are as follows:

Buildings	2 years
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessee *(Continued)*

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified as financial assets at amortised cost and equity investments at fair value through other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) Equity investments at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“lifetime expected credit losses”) for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Loss allowances for expected credit losses *(Continued)*

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

Interest income is recognised using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") in Hong Kong under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also participates in a defined contribution retirement scheme organised by the government in the People's Republic of China ("PRC"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme.

No forfeited contributions may be used by the employer to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

The Group also provides employees with the ability to purchase the Company's ordinary shares at a discount to the current market value. The Group records an expense, based on the fair value of the discount related to shares expected to vest (taking in account the post vesting transfer restrictions), on a straight-line basis over the vesting period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) *(Continued)*

- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except investments and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements apart from those involving estimations, which are dealt with below.

Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the shareholders at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2 to the consolidated financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(a) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the fair value less costs of disposal. Where the fair value less costs of disposal are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of fair value less costs of disposal, a material impairment loss may arise. The directors performed impairment assessment of the Group's property, plant and equipment and impairment loss of approximately HK\$51,339,000 (2020: approximately HK\$68,785,000) was recognised in profit or loss during the year.

(b) Impairment of mining right

Mining right is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is determined with reference to the fair value less costs of disposal. Where the fair value less costs of disposal are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of fair value less costs of disposal, a material impairment loss may arise. The directors performed impairment assessment of the Group's mining right and impairment loss of approximately HK\$22,215,000 (2020: approximately HK\$45,344,000) was recognised in profit or loss during the year.

(c) Mine reserves

Mining right and mining development assets are amortised over the estimated useful lives of the mines in accordance with the production plans of the entities concerned and the mineral resources and reserves of the mines using the units of production method.

The process of estimating the quantities of the Group's gold reserve and resources is inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting mineral prices and costs change. Changes in reported reserves and resources estimated can impact the carrying value of intangible asset.

(d) Fair value of financial instruments that are not traded in an active market

The Group appointed an independent professional valuer to assess the fair values of the equity investments at fair value through other comprehensive income. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amount of the bank and cash balances, trade and other receivables and loan receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that sales and loans are made to customers with an appropriate credit history.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade loan receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

	Loan receivables HK\$'000
Balance at 31 December 2021	8,362
Provision for loss allowance	<u>(7,951)</u>
Carrying amounts	<u>411</u>
Balance at 31 December 2020	102,492
Provision for loss allowance	<u>(11,489)</u>
Carrying amounts	<u><u>91,003</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

	Loan receivables HK\$'000
Expected credit loss rate	
2021	95%
2020	11%
Loss allowance at 1 January 2020	6,752
Increase in provision in 2020	<u>4,737</u>
Loss allowance at 31 December 2020	11,489
Decrease in provision in 2021	<u>(3,538)</u>
Loss allowance at 31 December 2021	<u>7,951</u>

The decrease in loss allowance is due to repayment of loan receivables.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000
At 31 December 2021			
Trade and other payables	50,337	–	–
Borrowings	258,228	48,942	34,170
At 31 December 2020			
Trade and other payables	36,812	–	–
Borrowings	55,017	140,867	117,847
Other borrowings	118,000	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Interest rate risk

The Group's loan receivables and borrowings bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

Except as stated above, the Group has no other significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

(e) Categories of financial instruments

	2021 HK\$'000	2020 HK\$'000
Financial assets:		
Equity investments at fair value through other comprehensive income	64,382	60,058
Financial assets at amortised cost (including cash and cash equivalents)	<u>21,733</u>	<u>109,597</u>
	<u>86,115</u>	<u>169,655</u>
Financial liabilities:		
Financial liabilities at amortised cost	<u>312,263</u>	<u>344,915</u>

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

7. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy at 31 December:

Description	Fair value measurements using:			2021
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Recurring fair value measurements:

Equity investments at fair value through other comprehensive income				
Private equity investments	–	2,278	62,104	64,382

Description	Fair value measurements using:			2020
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Recurring fair value measurements:

Equity investments at fair value through other comprehensive income				
Private equity investments	–	2,205	57,853	60,058

(b) Reconciliation of assets measured at fair value based on level 3:

	Equity investments at fair value through other comprehensive income
	HK\$'000
At 1 January 2021	57,853
Total gains or losses recognised	
in profit or loss (#)	–
in other comprehensive income	4,251
At 31 December 2021	62,104
(#) Include gains or losses for assets held at end of reporting period	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

7. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Reconciliation of assets measured at fair value based on level 3: *(Continued)*

	Equity investments at fair value through other comprehensive income HK\$'000
At 1 January 2020	–
Total gains or losses recognised in profit or loss (#)	–
in other comprehensive income	2,853
Purchases	<u>55,000</u>
At 31 December 2020	<u><u>57,853</u></u>
(#) Include gains or losses for assets held at end of reporting period	<u><u>–</u></u>

The total gains or losses recognised in other comprehensive income are presented in fair value change of equity investments at fair value through other comprehensive income, net of tax in the consolidated statement of profit or loss and other comprehensive income.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2021:

The Group's financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

7. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2021: *(Continued)*

Level 2 fair value measurements

Description	Valuation technique	Inputs	Fair value 2021 HK\$'000
Equity investments at fair value through other comprehensive income			
Private equity investments	cost approach	investment cost	2,278
			Fair value 2020
Description	Valuation technique	Inputs	HK\$'000
Equity investments at fair value through other comprehensive income			
Private equity investments	cost approach	investment cost	2,205

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2021 HK\$'000
Equity investments at fair value through other comprehensive income					
Private equity investments	Market comparable approach	Lack of marketability discount	15.80%	Decrease	62,104
				Effect on fair value for increase of inputs	Fair value 2020
Description	Valuation technique	Unobservable inputs	Range	of inputs	HK\$'000
Equity investments at fair value through other comprehensive income					
Private equity investments	Market comparable approach	Lack of marketability discount	15.80%	Decrease	57,853

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

8. SEGMENT INFORMATION

The Group has three reportable segments as follows:

Mining products segment – engaged in gold mining, exploration and trading of gold products;

Money lending segment – provision of money lending services; and

Trading and wholesale segment – engaged in trading of coal and wholesale and trading of frozen meat.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements.

Information about reportable segment profits or losses, assets and liabilities:

	Mining products HK\$'000	Money lending HK\$'000	Trading and wholesale HK\$'000	Total HK\$'000
For the year ended 31 December 2021				
Revenue from external customers	85,882	2,256	30,928	119,066
Segment (loss)/profit	(93,082)	3,755	(3,584)	(92,911)
Depreciation of property, plant and equipment	14,690	–	–	14,690
Depreciation of right-of-use assets	–	6	–	6
Amortisation of mining right	1,536	–	–	1,536
Interest revenue	13	–	–	13
Interest expense	48,082	1,894	–	49,976
Income tax credit	4,835	–	–	4,835
Additions to segment non-current assets	84,378	94	16	84,488
Impairment loss	79,454	–	1,441	80,895
As at 31 December 2021				
Segment assets	212,278	670	76,035	288,983
Segment liabilities	259,137	223	10,535	269,895
For the year ended 31 December 2020				
Revenue from external customers	31,715	7,927	17,510	57,152
Segment loss	(136,663)	(3,791)	(255)	(140,709)
Depreciation of property, plant and equipment	11,144	–	–	11,144
Depreciation of right-of-use assets	–	66	–	66
Amortisation of mining right	1,044	–	–	1,044
Interest revenue	7	–	7	14
Interest expense	32,329	6,898	–	39,227
Income tax credit	6,256	–	–	6,256
Additions to segment non-current assets	99,028	228	–	99,256
Impairment loss	116,025	4,737	–	120,762
As at 31 December 2020				
Segment assets	201,791	91,585	73,776	367,152
Segment liabilities	226,315	94,137	1,424	321,876

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

8. SEGMENT INFORMATION *(Continued)*

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2021 HK\$'000	2020 HK\$'000
Revenue		
Total revenue of reportable segments and consolidated revenue	<u>119,066</u>	<u>57,152</u>
Profit or loss		
Total loss of reportable segments	(92,911)	(140,709)
Other loss	<u>(8,074)</u>	<u>(22,564)</u>
Consolidated loss for the year	<u>(100,985)</u>	<u>(163,273)</u>
Assets		
Total assets of reportable segments	288,983	367,152
Other assets	<u>1,601</u>	<u>6,031</u>
Consolidated total assets	<u>290,584</u>	<u>373,183</u>
Liabilities		
Total liabilities of reportable segments	269,895	321,876
Other liabilities	<u>60,532</u>	<u>49,953</u>
Consolidated total liabilities	<u>330,427</u>	<u>371,829</u>

Apart from the above, the total of other material items disclosed in the segment information is the same as the consolidated totals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

8. SEGMENT INFORMATION *(Continued)*

Geographical information:

(a) Revenue from external customers

	2021 HK\$'000	2020 HK\$'000
Hong Kong	2,256	7,927
PRC	116,810	49,225
	<u>119,066</u>	<u>57,152</u>

In presenting the geographical information, revenue is based on the locations of the customers.

(b) Non-current assets

	2021 HK\$'000	2020 HK\$'000
Hong Kong	1,344	3,764
PRC	197,484	190,651
	<u>198,828</u>	<u>194,415</u>

(c) Revenue from major customers

Revenue from major customers individually accounting for 10% or more of total revenue are as follows:

	2021 HK\$'000	2020 HK\$'000
Customer A (sales of coal)	–	12,528
Customer B (sales of gold products)	41,611	12,251
Customer C (sales of gold products)	–	9,425
Customer D (sales of gold products)	22,791	8,285

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

9. REVENUE

	2021 HK\$'000	2020 HK\$'000
Mining products	85,882	31,715
Trading of coal and wholesale and trading of frozen meat	30,928	17,510
Revenue from contracts with customers	116,810	49,225
Interest income of money lending	2,256	7,927
Total revenue	<u>119,066</u>	<u>57,152</u>

Disaggregation of revenue from contracts with customers:

	Mining products HK\$'000	Trading and wholesale HK\$'000	Total HK\$'000
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For the year ended 31 December 2021

Geographical markets

PRC	<u>85,882</u>	<u>30,928</u>	<u>116,810</u>
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Major products

Gold products	85,882	–	85,882
Frozen meat	–	30,928	30,928

Total	<u>85,882</u>	<u>30,928</u>	<u>116,810</u>
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Timing of revenue recognition

At a point in time	<u>85,882</u>	<u>30,928</u>	<u>116,810</u>
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For the year ended 31 December 2020

Geographical markets

PRC	<u>31,715</u>	<u>17,510</u>	<u>49,225</u>
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Major products

Gold products	31,715	–	31,715
Frozen meat	–	4,982	4,982
Coal	–	12,528	12,528

Total	<u>31,715</u>	<u>17,510</u>	<u>49,225</u>
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Timing of revenue recognition

At a point in time	<u>31,715</u>	<u>17,510</u>	<u>49,225</u>
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

9. REVENUE *(Continued)*

Sales of gold products

The Group engaged in gold mining, exploration and sells gold products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 180 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Trading of coal and wholesale and trading of frozen meat

The Group engaged in trading of coal and frozen meat. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 30 to 90 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

10. OTHER INCOME

	2021 HK\$'000	2020 HK\$'000
Interest revenue	21	14
Gain on settlement of convertible bonds by shares	–	1,032
Government grants	–	829
Waiver from other borrowings (Note)	18,042	–
Reversal of impairment loss on loan receivables	3,538	–
Gain on lease termination	421	–
	<u>22,022</u>	<u>1,875</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

10. OTHER INCOME *(Continued)*

Note:

On 27 March 2020, the Company entered into a settlement agreement with the lender and agreed to repay HK\$96,320,000 for the settlement of the amount of approximately HK\$114,362,000 (comprising outstanding principal of HK\$100,000,000 and accrued and unpaid interest of approximately HK\$14,362,000) due to the lender.

11. OTHER EXPENSES

	2021 HK\$'000	2020 HK\$'000
Impairment loss on property, plant and equipment	51,339	68,785
Impairment loss on prepayments for property, plant and equipment and construction	797	1,517
Impairment loss on trade receivables	6,544	–
Impairment loss on loan receivables	–	4,737
Impairment loss on mining right	22,215	45,344
Impairment loss on right-of-use assets	–	379
	<u>80,895</u>	<u>120,762</u>

12. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest of Settlement Convertible Bonds	–	937
Leases interests	66	96
Loan interests	64,394	57,498
Total borrowing costs	64,460	58,531
Amount capitalised	(9,187)	(14,713)
	<u>55,273</u>	<u>43,818</u>

Borrowing costs on fund borrowed generally are capitalised at a rate of 16% per annum (2020: 17%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

13. INCOME TAX CREDIT

	2021 HK\$'000	2020 HK\$'000
Deferred tax (note 30)	<u>4,835</u>	<u>6,256</u>

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements since the Group has sufficient tax losses brought forward to set off against current year's assessable profit for the year ended 31 December 2021. No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year ended 31 December 2020.

No provision for PRC enterprise income tax is required since the Group has no assessable profit for the year.

The applicable income tax rate for the subsidiaries of the Group in the PRC in the current year is 5%-25% (2020: 5%-25%).

The reconciliation between income tax credit and the product of loss before tax multiplied by the applicable tax rate is as follows:

	2021 HK\$'000	2020 HK\$'000
Loss before tax	<u>(105,820)</u>	<u>(169,529)</u>
Tax at the domestic income tax rate	(27,495)	(40,138)
Tax effect of income that is not taxable	(2,976)	(249)
Tax effect of expenses that are not deductible	1,246	4,981
Tax effect of tax losses not recognised	24,426	29,150
Tax effect of utilisation of tax losses not previously recognised	<u>(36)</u>	<u>–</u>
Income tax credit	<u>(4,835)</u>	<u>(6,256)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

14. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the followings:

	2021 HK\$'000	2020 HK\$'000
Auditor's remuneration	1,100	1,100
Amortisation of mining right	1,536	1,044
Cost of sales*	66,534	30,298
Depreciation of right-of-use assets	915	1,870
Depreciation of property, plant and equipment	14,706	11,162
Staff costs including directors' emoluments		
Salaries, bonus and allowances	28,296	23,591
Equity-settled share-based payments	8,529	–
Retirement benefits scheme contributions	4,787	3,865

* Cost of sales includes staff costs and depreciation of approximately HK\$23,861,000 (2020: approximately HK\$10,580,000) which are included in the amounts disclosed separately above.

15. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION

The emoluments of each director were as follows:

		For the year ended 31 December 2021				
		Fees HK\$'000	Salaries, allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Share-based payment HK\$'000	Total HK\$'000
Executive directors:						
Mr. Qiao Bingya	(i)	–	152	8	–	160
Mr. Xie Qiangming		–	114	6	–	120
Mr. Zhang Yiwen	(ii)	–	153	–	–	153
Mr. Zhu Shengsheng	(iii)	–	200	8	1,418	1,626
Mr. Qiu Zhenyi	(iv)	–	119	–	1,418	1,537
Mr. Pan Feng	(iv)	–	119	–	1,418	1,537
Non-Executive directors:						
Mr. Sun Aimin	(v)	–	105	–	–	105
Ms. Ng Ching	(vi)	–	15	–	–	15
Independent non-executive directors:						
Mr. Cai Jianhua	(vii)	240	–	–	–	240
Mr. Ho Wing Chung		120	–	–	–	120
Mr. Yan Xiaotian	(vii)	120	–	–	–	120
		480	977	22	4,254	5,733

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

15. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION

(Continued)

		For the year ended 31 December 2020				
		Fees	Salaries, allowances	Retirement benefit scheme contributions	Share-based payment	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:						
Mr. Qiao Bingya	(i)	–	228	12	–	240
Mr. Xie Qiangming		–	114	6	–	120
Mr. Zhang Yiwen	(ii)	–	480	–	–	480
Non-Executive directors:						
Mr. Sun Aimin	(v)	–	66	–	–	66
Independent non-executive directors:						
Mr. Cai Jianhua	(vii)	240	–	–	–	240
Mr. Ho Wing Chung		120	–	–	–	120
Mr. Yan Xiaotian	(vii)	30	–	–	–	30
		<u>390</u>	<u>888</u>	<u>18</u>	<u>–</u>	<u>1,296</u>

Notes:

- (i) Resigned on 2 September 2021
- (ii) Resigned on 3 June 2021
- (iii) Appointed on 3 June 2021
- (iv) Appointed on 2 September 2021
- (v) Appointed on 12 June 2020 and resigned on 15 November 2021
- (vi) Appointed on 15 November 2021
- (vii) Resigned on 4 February 2022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

15. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUAL REMUNERATION

(Continued)

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2020: Nil).

The five highest paid individuals in the Group during the year included three (2020: one) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2020: four) individuals are set out below:

	2021 HK\$'000	2020 HK\$'000
Basic salaries and allowances	285	3,220
Retirement benefit scheme contributions	11	72
Share-based payment	<u>2,798</u>	<u>–</u>
	<u><u>3,094</u></u>	<u><u>3,292</u></u>

The emoluments fell within the following band:

	Number of individuals	
	2021	2020
Nil to HK\$1,000,000	–	3
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,000,000	<u>2</u>	<u>–</u>

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16. DIVIDENDS

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

17. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company for the year ended 31 December 2021 is based on the loss for the year attributable to owners of the Company of approximately HK\$55,378,000 (2020: approximately HK\$108,567,000) and the weighted average number of ordinary shares of 1,377,568,000 (2020: 1,082,011,000) in issue during the year.

Diluted loss per share

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2021 and 2020.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Mining infrastructure HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost							
At 1 January 2020	8,931	19,599	4,323	1,535	82,304	105,671	222,363
Additions	-	3,583	337	644	-	94,464	99,028
Disposal	-	-	(167)	-	-	-	(167)
Transfer	33,022	3,145	-	-	57,781	(93,948)	-
Exchange differences	547	1,307	254	113	5,042	9,280	16,543
	<u>42,500</u>	<u>27,634</u>	<u>4,747</u>	<u>2,292</u>	<u>145,127</u>	<u>115,467</u>	<u>337,767</u>
At 31 December 2020	42,500	27,634	4,747	2,292	145,127	115,467	337,767
Additions	6,166	1,811	405	-	355	75,751	84,488
Transfer	26,808	-	-	-	57,432	(84,240)	-
Exchange differences	1,511	947	157	76	4,823	5,069	12,583
	<u>76,985</u>	<u>30,392</u>	<u>5,309</u>	<u>2,368</u>	<u>207,737</u>	<u>112,047</u>	<u>434,838</u>
At 31 December 2021	76,985	30,392	5,309	2,368	207,737	112,047	434,838
Accumulated depreciation and impairment							
At 1 January 2020	7,804	14,637	3,942	1,535	76,087	40,055	144,060
Charge for the year	6,926	3,243	264	131	598	-	11,162
Disposal	-	-	(167)	-	-	-	(167)
Impairment loss for the year	7,578	2,543	-	198	18,415	40,051	68,785
Exchange differences	(86)	(115)	(20)	(22)	(406)	(341)	(990)
	<u>22,222</u>	<u>20,308</u>	<u>4,019</u>	<u>1,842</u>	<u>94,694</u>	<u>79,765</u>	<u>222,850</u>
At 31 December 2020	22,222	20,308	4,019	1,842	94,694	79,765	222,850
Charge for the year	8,483	3,757	332	137	1,997	-	14,706
Impairment loss for the year	12,950	1,517	-	62	29,844	6,966	51,339
Exchange differences	1,105	783	137	69	3,744	2,170	8,008
	<u>44,760</u>	<u>26,365</u>	<u>4,488</u>	<u>2,110</u>	<u>130,279</u>	<u>88,901</u>	<u>296,903</u>
At 31 December 2021	44,760	26,365	4,488	2,110	130,279	88,901	296,903
Carrying amount							
At 31 December 2021	32,225	4,027	821	258	77,458	23,146	137,935
At 31 December 2020	20,278	7,326	728	450	50,433	35,702	114,917

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group carried out reviews of the recoverable amount of its property, plant and equipment in 2021 as a result of the Group implement continuous maintenance and enhancement works program annually and review the expansion of existing mining locations within current mining right but has not updated a technical report to “upgrade” the reserves and/or resources of the gold mine. The reviews of property, plant and equipment led to the recognition of impairment losses of approximately HK\$51,339,000 (2020: approximately HK\$68,785,000), which has been recognised in profit or loss. The recoverable amount of the relevant assets of approximately HK\$137,114,000 (2020: approximately HK\$114,189,000) has been determined on the basis of their fair value less costs of disposal using discounted cash flow method (level 3 fair value measurements).

The key assumptions used for the calculations of fair value less costs of disposal are as follows:

	2021	2020
Discount rate (post-tax discount rate applied to the cash flow projections)	14.23%	12.66%
Years of cash flows projection (expected mining period)	9 years	10 years

Management determined gross margin based on past market prices of the gold and management’s estimation of exploitation and production costs. The discount rate used is post-tax and reflects specific risks relating to the relevant assets. Expected mining period is determined based on extractable reserve of the mine and the Group’s production capacity. The legal life of mining right can be extended upon maturity to enable the Group to conduct mining activities in the expected mining period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

19. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2021 HK\$'000	2020 HK\$'000
At 31 December:		
Right-of-use assets		
– Buildings	<u>1,254</u>	<u>3,752</u>
Lease commitments of short-term leases	<u>86</u>	<u>45</u>
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Less than 1 year	<u>920</u>	2,628
– Between 1 and 2 years	<u>464</u>	<u>1,722</u>
	<u>1,384</u>	<u>4,350</u>
Year ended 31 December:		
Depreciation charge of right-of-use assets		
– Buildings	<u>915</u>	<u>1,870</u>
Lease interests	<u>66</u>	<u>96</u>
Expenses related to short-term leases	<u>372</u>	<u>47</u>
Total cash outflow for leases	<u>1,269</u>	<u>2,003</u>
Additions to right-of-use assets	<u>1,450</u>	<u>4,991</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

20. MINING RIGHT

	HK\$'000
Cost	
At 1 January 2020	1,407,535
Exchange differences	<u>86,226</u>
At 31 December 2020	1,493,761
Exchange differences	<u>49,581</u>
At 31 December 2021	<u>1,543,342</u>
Accumulated amortisation and impairment	
At 1 January 2020	1,300,209
Amortisation for the year	1,044
Impairment loss for the year	45,344
Exchange differences	<u>71,418</u>
At 31 December 2020	1,418,015
Amortisation for the year	1,536
Impairment loss for the year	22,215
Exchange differences	<u>41,937</u>
At 31 December 2021	<u>1,483,703</u>
Carrying amount	
At 31 December 2021	<u><u>59,639</u></u>
At 31 December 2020	<u><u>75,746</u></u>

Mining right includes the cost of acquiring mining licenses, costs transferred from exploration right and exploration and evaluation assets upon determination that an exploration property is capable of commercial production and land compensation costs. Land compensation costs represent the compensation paid to inhabitants for relocating them from the areas nearby the mining sites so that the Group can use the land as leaching piles and dumping areas for waste ores. The mining permit will expire on 31 December 2025. Mining right is amortised over the estimated useful lives of the mines in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the units of production method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

20. MINING RIGHT *(Continued)*

The Group carried out reviews of the recoverable amount of its mining right in 2021 as a result of the Group implement continuous maintenance and enhancement works program annually and review the expansion of existing mining locations within current mining right but has not updated a technical report to “upgrade” resources of the gold mine. The reviews of mining right led to the recognition of impairment losses of approximately HK\$22,215,000 (2020: HK\$45,344,000), which has been recognised in profit or loss. The recoverable amount of the relevant assets of approximately HK\$59,639,000 (2020: approximately HK\$75,746,000) has been determined on the basis of their fair value less costs of disposal using discounted cash flow method (level 3 fair value measurements).

The key assumptions used for the calculations of fair value less costs of disposal are as follows:

	2021	2020
Discount rate (post-tax discount rate applied to the cash flow projections)	14.23%	12.66%
Years of cash flows projection (expected mining period)	9 years	10 years

Management determined gross margin based on past market prices of the gold and management’s estimation of exploitation and production costs. The discount rate used is post-tax and reflects specific risks relating to the relevant assets. Expected mining period is determined based on extractable reserve of the mine and the Group’s production capacity. The legal life of mining right can be extended upon maturity to enable the Group to conduct mining activities in the expected mining period.

21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 HK\$'000	2020 HK\$'000
Equity securities, at fair value		
Unlisted equity securities	64,382	60,058
Analysed as:		
Non-current assets	64,382	60,058

Notes:

- (i) The above investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

Notes: *(Continued)*

- (ii) In 2020, the Group completed an investment in 德興市益豐再生有色金屬有限責任公司, which is principally engaged in: (i) comprehensive utilization of waste resources; (ii) procurement, processing, production and sales of metal scrap and metal-containing waste; (iii) trading in mineral products; and (iv) sales of metal materials. The purchase consideration was settled at a total cash consideration of HK\$55,000,000. The fair value of this investment as at 31 December 2021 was approximately HK\$62,104,000 (2020: approximately HK\$57,853,000), its carrying amount accounts for more than 5% of the Group's total assets as at 31 December 2021 and 2020. The fair value gain of equity investments at fair value through other comprehensive loss for the year ended 31 December 2021 was approximately HK\$4,251,000 (2020: approximately HK\$2,853,000).

In 2020, the Group completed another investment in a company, which is principally engaged in online auction. The purchase consideration was settled at a total cash consideration of approximately HK\$2,278,000 (2020: approximately HK\$2,205,000). The fair value of this investment as at 31 December 2021 and 2020 approximate to investment cost.

22. SUBSIDIARIES

Particulars of the Company's major subsidiaries are set out below:

Name	Place of incorporation/ registration	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities and place of operation
			Direct	Indirect	
GCC Finance Company Limited	Hong Kong	HK\$2 Ordinary shares	100%	–	Money lending services in Hong Kong
Westralian Resources	Australia	50,000 Ordinary shares of AUD1 each	100%	–	Investment holding in the PRC
Hunan Westralian (Note (i))	PRC	US\$29,700,000	–	51%	Gold mining, exploration, trading of gold products in the PRC
Huzhou Huamao Trading Co., Limited (Note (ii))	PRC	HK\$1,000,000	–	100%	Trading of coal in the PRC
Changsha Huamao Resources Trading Co., Limited	PRC	RMB\$1,000,000	–	100%	Trading of coal and wholesale and trading of frozen meat in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

22. SUBSIDIARIES (Continued)

Notes:

- (i) Hunan Westralian is a foreign owned enterprise established in the PRC.
- (ii) Huzhou Huamao Trading Co., Limited is a Hong Kong owned enterprise established in the PRC.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

The following table shows information of subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Hunan Westralian Mining Co., Limited	
	2021	2020
Principal place of business/country of incorporation	PRC/PRC	PRC/PRC
% of ownership interests and voting rights held by NCI	49.0%	49.0%
	<u>HK\$'000</u>	<u>HK\$'000</u>
At 31 December:		
Non-current assets	186,527	179,713
Current assets	23,305	20,694
Non-current liabilities	(778,088)	(153,674)
Current liabilities	(31,081)	(550,513)
Net liabilities	<u>(599,337)</u>	<u>(503,780)</u>
Accumulated NCI	<u>(293,675)</u>	<u>(246,852)</u>
Year ended 31 December:		
Revenue	85,882	31,715
Loss for the year	(96,532)	(136,647)
Total comprehensive loss	(95,555)	(124,491)
Loss allocated to NCI	(46,823)	(54,705)
Net cash generated from operating activities	92,219	29,939
Net cash used in investing activities	(84,378)	(99,027)
Net cash (used in)/generated from financing activities	(10,500)	63,292
Effect of foreign exchange rate changes	4,345	3,296
Net increase/(decrease) in cash and cash equivalents	<u>1,686</u>	<u>(2,500)</u>

As at 31 December 2021, the bank and cash balances of the Group' subsidiaries in the PRC denominated in Renminbi ("RMB") amounted to HK\$6,716,000 (2020: HK\$8,308,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

23. TRADE AND OTHER RECEIVABLES

The Group's trading terms with other customers are mainly on credit. The credit terms generally range from 30 to 180 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

	2021 HK\$'000	2020 HK\$'000
Trade receivables	17,070	7,630
Provision for loss allowance	<u>(6,650)</u>	–
	10,420	7,630
Prepayments	5,641	6,581
Prepayments for construction	–	2,178
Prepayments for property, plant and equipment	–	354
Deposits	727	1,509
Other receivables	<u>2,901</u>	<u>148</u>
	<u>19,689</u>	<u>18,400</u>

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2021 HK\$'000	2020 HK\$'000
0 – 30 days	3,350	661
31 – 60 days	983	852
61 – 90 days	–	–
Over 90 days	<u>6,087</u>	<u>6,117</u>
	<u>10,420</u>	<u>7,630</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

23. TRADE AND OTHER RECEIVABLES *(Continued)*

Reconciliation of loss allowance for trade receivables:

	2021 HK\$'000	2020 HK\$'000
At 1 January	–	–
Increase in loss allowance for the year	6,544	–
Exchange differences	106	–
At 31 December	<u>6,650</u>	<u>–</u>

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	Over 90 days Past due	Total
At 31 December 2021			
Weighted average expected loss rate	0%	52%	
Receivable amount (HK'000)	4,333	12,737	17,070
Loss allowance (HK'000)	–	(6,650)	(6,650)
At 31 December 2020			
Weighted average expected loss rate	0%	0%	
Receivable amount (HK'000)	1,513	6,117	7,630
Loss allowance (HK'000)	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

24. LOAN RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Loan receivables	8,362	102,492
Provision for loss allowance	<u>(7,951)</u>	<u>(11,489)</u>
Carrying amount	<u><u>411</u></u>	<u><u>91,003</u></u>

The directors of the Group monitored the collectability of the loan receivables closely with reference to their respective current creditworthiness.

The loan receivable, net of allowance will maturity within one year.

Reconciliation of loss allowance for loan receivables:

	2021 HK\$'000	2020 HK\$'000
At 1 January	11,489	6,752
(Decrease)/increase in loss allowance for the year	<u>(3,538)</u>	<u>4,737</u>
At 31 December	<u><u>7,951</u></u>	<u><u>11,489</u></u>

25. TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables	9,424	1,029
Accrued liabilities and other payables	<u>40,913</u>	<u>35,783</u>
	<u><u>50,337</u></u>	<u><u>36,812</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

25. TRADE AND OTHER PAYABLES *(Continued)*

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	2021 HK\$'000	2020 HK\$'000
0 – 30 days	8,493	128
31 – 60 days	–	901
61 – 90 days	–	–
over 90 days	931	–
	<u>9,424</u>	<u>1,029</u>

26. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 December		As at 1 January
	2021 HK\$'000	2020 HK\$'000	2020 HK\$'000
Contract liabilities	<u>9,553</u>	<u>10,946</u>	<u>–</u>
Contract receivables (included in trade receivables)	<u>10,420</u>	<u>7,630</u>	<u>27,625</u>

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

	2021 HK\$'000	2020 HK\$'000
–2021	N/A	10,946
–2022	<u>9,553</u>	<u>–</u>
	<u>9,553</u>	<u>10,946</u>
	2021 HK\$'000	2020 HK\$'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	<u>10,946</u>	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

26. CONTRACT LIABILITIES *(Continued)*

Significant changes in contract liabilities during the year

	2021 HK\$'000	2020 HK\$'000
Increase due to operations in the year	76,556	10,946
Transfer of contract liabilities to revenue	<u>77,949</u>	<u>–</u>

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

27. BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Short-term borrowings		
–secured, 24% interest per annum and due within one year (note (i))	29,817	24,479
–unsecured, 24% interest per annum and due within one year (note (ii))	1,809	1,467
–secured, 36% interest per annum and due within one year (note (iii))	156,123	27,709
–unsecured, non-interest bearings and no fixed repayment terms (iv)	20,706	–
–unsecured, non-interest bearings and no fixed repayment terms (v)	2,508	–
–unsecured, 36% interest per annum and due within one year	<u>12,845</u>	<u>–</u>
	<u>223,808</u>	<u>53,655</u>
Long-term borrowings		
–secured, 36% interest per annum and due within three years (note (iii))	25,396	86,115
–unsecured, 36% interest per annum and due within three years	<u>12,722</u>	<u>55,758</u>
	<u>38,118</u>	<u>141,873</u>
	<u>261,926</u>	<u>195,528</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

27. BORROWINGS *(Continued)*

Note:

- (i) On 10 August 2020, the Company and Westralian Resources, entered into the settlement agreement with one of former directors of Hunan Westralian, Mr. Cai. In connection with the settlement arrangements, the Company and Westralian Resources have agreed to sell the 29% equity interest in Hunan Westralian, a company owned as to 80% by Westralian Resources, to Mr. Cai for approximately HK\$42,842,000 (equivalent to RMB38,485,000) to partially settle the outstanding amount owed to Mr. Cai. Mr. Cai has agreed to extend the maturity date to 31 August 2021. On 31 August 2021, the Company and Westralian Resources and Mr. Cai, entered into an supplementary agreement, agreed to extend the maturity date to 31 March 2022. The borrowing is secured by the 51% shares of Hunan Westralian as at 31 December 2021 and 2020
- (ii) The borrowings are guaranteed by a general manager (“General Manager”) of Hunan Westralian Mining Co., Limited.
- (iii) The borrowing is secured by 35% of mining right owned by Hunan Westralian Mining Co., Limited and guaranteed by 10.4% of shares of Xinhuaixian Choumu Mining Co., Limited owned by a General Manager.
- (iv) The borrowings are provided by Hunan Westralian’s director with interest fee, non-guaranteed and no fixed repayment terms.
- (v) The borrowings are provided by a shareholder with interest fee, non-guaranteed and no fixed repayment terms.

28. LEASE LIABILITIES

	Lease payments		Present value of lease payments	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Within one year	920	2,628	875	2,476
In the second to fifth years, inclusive	464	1,722	456	1,690
	1,384	4,350	1,331	4,166
Less: Future finance charges	(53)	(184)		
Present value of lease liabilities	1,331	4,166		
Less: Amount due for settlement within 12 months (shown under current liabilities)			(875)	(2,476)
Amount due for settlement after 12 months			456	1,690

At 31 December 2021, the average effective borrowing rate was 5% (2020: 5%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

29. OTHER BORROWINGS

In 2020, the lender has a security interest over the shares of the Company and is deemed to be interested in such shares. The other borrowings are unsecured, 6% interest per annum and maturity date within 12 months.

30. DEFERRED TAX LIABILITIES

	Revaluation of mining right HK\$'000
At 1 January 2020	17,191
Credited to profit or loss for the year	(6,256)
Exchange differences	<u>867</u>
At 31 December 2020	11,802
Credited to profit or loss for the year	(4,835)
Exchange differences	<u>313</u>
At 31 December 2021	<u><u>7,280</u></u>

No deferred tax asset have been recognised in respect of tax loss approximately HK\$33,950,000 (2020: approximately HK\$20,484,000) due to the unpredictability of future profit streams. These tax losses will expire from year 2022 to 2026.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

31. SHARE CAPITAL

		Number of shares '000	Amount HK\$'000
Authorised:			
At 1 January 2020, 31 December 2020 and 2021 (25,000,000,000 ordinary shares of HK\$0.01 each)		25,000,000	250,000
Issued and fully paid:			
At 1 January 2020 (21,048,486,179 ordinary shares of HK\$0.01 each)		21,048,486	210,485
Capital Reorganisation	(i)	(19,996,062)	(199,961)
Issue of settlement shares	(ii)	70,789	708
Issue of subscription shares	(iii)	139,500	1,395
At 31 December 2020 (1,262,713,382 ordinary shares of HK\$0.01 each)		1,262,713	12,627
Issue of subscription shares	(iv)	252,543	2,526
At 31 December 2021			
(1,515,256,058 ordinary shares of HK\$0.01 each)		1,515,256	15,153

Notes:

- (i) On 27 November 2019, The Board proposes to implement the capital reorganisation involving (1) Share Consolidation: the consolidation of every twenty issued and unissued existing shares into one Consolidated Share; and (2) Capital Reduction: (i) the reduction of issued capital whereby the par value of each issued Consolidated Share reduced from HK\$0.20 to HK\$0.01; (ii) subdivision of each authorised but unissued Consolidated Share of par value of HK\$0.20 into 20 unissued Adjusted Shares; and (iii) the application of the credit standing to the credit of the share premium account of the Company in and towards setting off of part of the accumulated deficit of the Company. The Capital Reorganisation was completed on 16 March 2020.
- (ii) On 31 August 2020, the Company entered into Tung Settlement Agreement with Ms. Tung for the settlement of the amount owed by the Company under the Relevant Bonds and the Wu Settlement Agreement, being approximately HK\$9,952,000. The amount was settled in full by the Company by issue and allotment of 70,789,074 Shares to Ms. Tung at HK\$0.14058 per Share (the closing market price on issue date was HK\$0.126). The issue of settlement shares was completed on 9 October 2020 and the premium on the issue of shares, amounting to approximately HK\$8,212,000, was credited to the Company's share premium account.
- (iii) On 9 November 2020, the Company entered into one subscription agreement with each of the three subscribers, pursuant to which the subscribers subscribed for a total of 139,500,000 Shares at a price of HK\$0.09918 per Share. The issue of subscription shares was completed on 27 November 2020, and the premium of the issue of shares, amounting to approximately HK\$12,440,000, was credited to the Company's share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

31. SHARE CAPITAL *(Continued)*

Notes: *(Continued)*

- (iv) On 2 July 2021, the Company entered into one subscription agreement with each of the four subscribers, pursuant to which the subscribers subscribed for a total of 252,542,676 Shares at a price of HK\$0.234 per Share. The issue of subscription shares was completed on 19 July 2021, and the premium of the issue of shares, amounting to approximately HK\$56,569,000, was credited to the Company's share premium account.

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets to reduce debt.

The Directors review the capital structure periodically. As a part of this review, the Directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the Directors, the Company will balance its overall capital structure through new share issues, the issue of new debt or the redemption of existing debt.

32. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share-based payment reserve HK\$'000	(Accumulated losses)/ retained earning HK\$'000	Total HK\$'000
At 1 January 2020	517,792	300	-	(569,671)	(51,579)
Capital Reorganisation (note 31 (i))	(517,792)	-	-	717,753	199,961
Issue of settlement shares (note 31 (ii))	8,212	-	-	-	8,212
Issue of subscription shares (note 31 (iii))	12,440	-	-	-	12,440
Loss for the year	-	-	-	(301,157)	(301,157)
At 31 December 2020	20,652	300	-	(153,075)	(132,123)
Issue of subscription shares (note 31 (iv))	56,569	-	-	-	56,569
Share-based payments	-	-	8,529	-	8,529
Profit for the year	-	-	-	16,768	16,768
At 31 December 2021	77,221	300	8,529	(136,307)	(50,257)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

32. RESERVES *(Continued)*

(c) Nature and purpose of reserves

(i) *Share premium*

Under the Companies Law of the Cayman Islands, the funds in the share premium of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) *Capital redemption reserve*

Capital redemption reserve arises from the reduction of the nominal value of the issued capital of the Company upon the cancellation of the repurchased shares.

(iii) *Foreign currency translation reserve*

Foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy in note 4.

33. SHARE-BASED PAYMENTS

The Company adopted the Share Option Scheme which was approved by Shareholders at the extraordinary general meeting held on 22 February 2016.

The exercise period of the share options is determined by the Board, which are entitled to make any offer to any eligible participant within the 10 years period starting from 22 February 2016, they may determine the number of underlying shares, the subscription price and the expiration day in full discretion.

The goal of the Share Option Scheme is to enable the Group to grant share options to eligible participants as incentives or rewards for their contributions to the Group, thereby linking their interests with that of the Group. The eligible participants include any employee, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary).

The total number of shares the Company may issue in any 12-month period under the Share Option Scheme is limited to 1% of the shares of the Company issued. Any further grant of share options exceeding this limit is subject to Shareholders' approval in a general meeting.

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33. SHARE-BASED PAYMENTS *(Continued)*

Under the Share Option Scheme, any share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, is subject to INEDs' approval. In the cases where share options are granted to a substantial shareholder or an INED, (i) if the total number of Shares granted exceeds 0.1% of the issued Shares, or (ii) if the aggregated value (based on the closing price at the date of grant) is over HK\$5 million within the 12-month period, the grant is subject to Shareholders' approval in a general meeting.

The offer of a grant of share options shall deem to be accepted when the offer letter is duly signed by the grantee and the nominal consideration for the grant of HK\$1 is received by the Company within 21 days from the date of the offer.

The exercise price of the share option is determined by the Board, but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet of Stock Exchange on the date of the offer of the grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.

Share option 2021

Grantee	Date of grant	Vesting period	Exercise period	Number of share options				Balance as at 31/12/2021
				Balance as at 1/1/2021	Granted during the year	Exercise during the year	Forfeited during the year	
Directors	16/9/2021	from 15/11/2021	16/9/2021 to 15/9/2023	-	45,450,000	-	-	45,450,000
Employees	16/9/2021	from 15/11/2021	16/9/2021 to 15/9/2023	-	29,000,000	-	-	29,000,000
Consultants	16/9/2021	from 15/11/2021	16/9/2021 to 15/9/2023	-	13,274,887	-	-	13,274,887
				<u>-</u>	<u>87,724,887</u>	<u>-</u>	<u>-</u>	<u>87,724,887</u>
Exercisable at the end of the year				<u>-</u>				<u>87,724,887</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

33. SHARE-BASED PAYMENTS *(Continued)*

Share option 2021 *(Continued)*

The fair value of the share options is approximately HK\$8,529,000, calculated using the Binomial Option Pricing Model. The inputs into the model are as follows:

	2021
Share price on grant date	HK\$0.280
Exercise price	HK\$0.284
Expected volatility	82.39%
Expected life	1.997
Risk free rate	0.33%
Expected dividend yield	0.00%
Expected early exercise multiplier	0.00% to 57.14%

Expected volatility was determined by peers's highest volatility. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

34. CAPITAL COMMITMENTS

The Group did not have any capital commitments as at 31 December 2021 and 2020.

35. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2021	2020
	HK\$'000	HK\$'000
Interest expenses to other borrowings	<u>1,787</u>	<u>6,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER

	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	90	12
Right-of-use assets	<u>1,206</u>	<u>3,591</u>
	<u>1,296</u>	<u>3,603</u>
CURRENT ASSETS		
Other receivables	971	1,973
Amounts due from subsidiaries	–	18,165
Bank and cash balances	<u>549</u>	<u>344</u>
	<u>1,520</u>	<u>20,482</u>
CURRENT LIABILITIES		
Other payables	3,416	1,626
Borrowings	32,325	24,479
Other borrowings	–	112,575
Amounts due to subsidiaries	898	898
Lease liabilities	<u>825</u>	<u>2,362</u>
	<u>37,464</u>	<u>141,940</u>
NET CURRENT (LIABILITIES)/ASSET	<u>(35,944)</u>	<u>(121,458)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>(34,648)</u>	<u>(117,855)</u>
NON-CURRENT LIABILITIES		
Lease liabilities	<u>456</u>	<u>1,641</u>
	<u>456</u>	<u>1,641</u>
NET (LIABILITIES)/ASSETS	<u>(35,104)</u>	<u>(119,496)</u>
EQUITY		
Share capital	15,153	12,627
Reserves	<u>(50,257)</u>	<u>(132,123)</u>
Total equity	<u>(35,104)</u>	<u>(119,496)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Lease liabilities HK\$'000	Other borrowings HK\$'000	Borrowings HK\$'000	Total HK\$'000
At 1 January 2020	1,035	106,575	117,481	225,091
Changes in cash flows	(1,956)	–	69,391	67,435
Non-cash changes				
– addition	4,991	–	–	4,991
– disposal of partial interest in a subsidiary	–	–	(42,842)	(42,842)
– interest charged	96	6,000	51,498	57,594
At 31 December 2020	4,166	112,575	195,528	312,269
Changes in cash flows	(897)	(96,320)	(2,577)	(99,794)
Non-cash changes				
– addition	1,450	–	–	1,450
– lease termination	(3,454)	–	–	(3,454)
– waiver from other borrowings	–	(18,042)	–	(18,042)
– interest charged	66	1,787	62,607	64,460
– exchange differences	–	–	6,368	6,368
At 31 December 2021	1,331	–	261,926	263,257

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 25 March 2022.

FIVE YEARS FINANCIAL SUMMARY

The following is a summary of the published results and of the assets and liabilities of the Group:

RESULTS

	Year ended 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue					
Continuing operations	119,066	57,152	44,556	27,046	22,803
Discontinued operation	<u>–</u>	<u>–</u>	<u>–</u>	<u>22,359</u>	<u>21,424</u>
	119,066	57,152	44,556	49,405	44,227
Loss before tax	(105,820)	(169,529)	(126,130)	(120,864)	(21,381)
Income tax credit/(expense)	4,835	<u>6,256</u>	<u>7,862</u>	<u>11,090</u>	<u>(1,015)</u>
Loss for the year from continuing operations	(100,985)	(163,273)	(118,268)	(109,774)	(22,396)
Profit/(loss) from discontinued operation	<u>–</u>	<u>–</u>	<u>–</u>	<u>15,496</u>	<u>(1,783)</u>
Loss for the year	(100,985)	(163,273)	(118,268)	(94,278)	(24,179)
Attributable to:					
Owners of the Company	(55,378)	(108,567)	(98,434)	(72,742)	(15,849)
Non-controlling interests	(45,607)	<u>(54,706)</u>	<u>(19,834)</u>	<u>(21,536)</u>	<u>(8,330)</u>
	(100,985)	(163,273)	(118,268)	(94,278)	(24,179)

ASSETS AND LIABILITIES

	As at 31 December				
	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Non-current assets	263,210	254,473	202,767	205,057	296,205
Current assets	27,374	118,710	176,728	151,876	94,008
Current liabilities	(284,573)	(216,464)	(104,376)	(188,502)	(38,519)
Non-current liabilities	(45,854)	<u>(155,365)</u>	<u>(190,127)</u>	<u>(25,452)</u>	<u>(95,867)</u>
Net (liabilities)/assets	(39,843)	1,354	84,992	142,979	255,827
Attributable to:					
Owners of the Company	253,832	248,206	158,906	196,733	285,817
Non-controlling interests	(293,675)	<u>(246,852)</u>	<u>(73,914)</u>	<u>(53,754)</u>	<u>(29,990)</u>
Total (deficit)/equity	(39,843)	1,354	84,992	142,979	255,827



DEFINITIONS

In this annual report, unless the context otherwise indicated, the following expressions shall have the following meanings:

“2020 Annual Report”	the annual report of the Company for the year ended 31 December 2020
“2021 Interim Report”	the interim report of the Company for the six months ended 30 June 2021
“Adjusted Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“AGM”	the annual general meeting of the Company
“Articles of Association”	the articles of association of the Company
“associate(s)”	having the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Auditor” or “ZHONGHUI ANDA”	ZHONGHUI ANDA CPA Limited, an independent external auditor of the Company
“Board”	the board of Directors
“Capital Reduction”	the Reduction of Issued Capital, the subdivision of each authorised but unissued Consolidated Share into 20 unissued Adjusted Shares and the Share Premium Reduction
“Capital Reorganisation”	the capital reorganisation approved by Shareholders at the EGM held on 30 December 2019 which involves the Share Consolidation and the Capital Reduction and became effective on 16 March 2020
“CB Settlement Agreements”	having the same meaning ascribed thereto under the Circular (i.e. a total 3 sets of convertible bonds settlement agreements entered into between the Company and the CB Settlement Creditors)
“CB Settlement Creditors”	having the same meaning ascribed thereto under the Circular (i.e. Mr. 李鐵鍵, Mr. 吳躍新 and Mr. 豆新虎)
“CG Code”	Corporate Governance Code as set out in Appendix 14 of the Listing Rules

DEFINITIONS

"Chairman of the Board"	the chairman of the Board
"CEO"	the chief executive officer of the Company
"China" or "PRC"	the People's Republic of China, but for the purposes of this annual report and for geographical reference only (unless otherwise indicated), excludes the Macao Special Administrative Region of the PRC, Hong Kong and Taiwan
"Circular"	a circular despatched by the Company to the Shareholders on 29 January 2016
"Code Provisions"	code provisions as set out in the CG Code
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company"	Renaissance Asia Silk Road Group Limited (formerly known as "China Billion Resources Limited"), a company incorporated in the Cayman Islands with limited liability, shares of which are listed on the Stock Exchange
"Company Secretary"	the company secretary of the Company
"Consolidated Share(s)"	the ordinary share(s) of HK\$0.20 each in the share capital of the Company after the Share Consolidation but prior to the Capital Reduction
"Corresponding Period"	the period for the year ended 31 December 2020
"Creditor A"	Mr. 李鐵鍵, one of the CB Settlement Creditors
"Creditor B"	Mr. 吳躍新, one of the CB Settlement Creditors
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company held on 30 December 2019
"ESG Report"	environmental, social and governance report of the Group for the year ended 31 December 2021



DEFINITIONS

“ESG Reporting Guide”	Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of Listing Rules on the Stock Exchange
“Executive Director(s)”	the executive Director(s)
“Gold Mine”	the Group’s Yuanling gold project in Hunan Province, the PRC
“Group”	the Company and its subsidiaries
“HKAS”	Hong Kong Accounting Standards
“HKFRS”	Hong Kong Financial Reporting Standards
“HKFRSs”	Hong Kong Financial Reporting Standards comprise HKFRS, HKAS and Interpretations
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hunan Westralian”	Hunan Westralian Mining Co., Limited, a foreign owned enterprise established in the PRC and is a subsidiary of the Company
“INED(s)”	the independent non-executive Director(s)
“Internal Control Consultant”	an internal control consultant engaged by the Company on 22 December 2021
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement dated 6 August 2019 entered into between the Company as borrower, Westralian Resources as co-borrower and Mr. Cai as lender, pursuant to which Mr. Cai has agreed to advance a facility of up to RMB80,000,000 to the Company
“Management”	the management of the Company
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“MPF Scheme”	Mandatory Provident Fund Scheme



DEFINITIONS



“Mr. Cai” or “Lender”	Mr. Cai Shuo, a former director of Hunan Westralian (appointed as director on 15 August 2019 and resigned on 20 August 2020)
“Ms. Tung”	Ms. Tung Yuen Ling
“NED(s)”	the non-executive Director(s)
“Nomination Committee”	the nomination committee of the Company
“Proposed Disposal”	have the same meaning as defined in the Company’s announcement dated 10 August 2020
“Proposed Extension”	have the same meaning as defined in the Company’s announcement dated 10 August 2020
“Reduction of Issued Capital”	the reduction of the par value of each issued Consolidated Share from HK\$0.20 to HK\$0.01 by cancelling HK\$0.19 of the paid-up capital on each issued Consolidated Share
“Relevant Bonds”	the convertible bonds issued by the Company to Creditor B on 24 May 2016 in the principal amount of HK\$13,970,030.14, which matured on 23 May 2019 (upon which the rights to conversion ceased) and part of the amount due thereunder has been repaid by the Company
“Remuneration Committee”	the remuneration committee of the Company
“Reporting Period”	the period for the year ended 31 December 2021
“RMB”	Renminbi, the lawful currency of the PRC
“Settlement Agreement”	the agreement dated 10 August 2020 entered into between the Company, Westralian Resources and Mr. Cai in relation to the settlement of amounts owed by the Company to Mr. Cai under the Loan Agreement
“Settlement Convertible Bonds”	the unsecured 10% convertible bonds in the aggregate principal amount of HK\$53,417,356.17 with a term of three years to be issued by the Company to the CB Settlement Creditors pursuant to the terms of the CB Settlement Agreements



DEFINITIONS

“Settlement Sum”	the entire outstanding amount of HK\$9,951,528.08 as amended by the Wu Settlement Agreement, comprising outstanding principal of HK\$9,832,993.37 and accrued and unpaid interest of HK\$118,534.71 up to 12 June 2020
“Settlement Shares”	70,789,074 Shares to be issued by the Company to Ms. Tung in accordance with the terms of the Tung Settlement Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Share Consolidation”	the consolidation of every twenty (20) then issued and unissued shares of the Company of HK\$0.01 each into one (1) Consolidated Share of par value of HK\$0.20
“Share Option Scheme”	the share option scheme approved by the Shareholders for adoption at the extraordinary general meeting of the Company held on 22 February 2016
“Share Premium Reduction”	the application of the credit arising from the Reduction of Issued Capital and the credit standing in the Company’s share premium account towards offsetting the accumulated deficit of the Company as at the effective date of the Capital Reduction in a manner as permitted by the Companies Law and other applicable laws
“Shareholder(s)”	holder(s) of the Share(s)
“SRK”	SRK Consulting China Limited, an independent technical adviser
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Loan Agreement”	the agreement dated 10 August 2020 entered into between the Company, Westralian Resources and Mr. Cai to supplement the Loan Agreement
“Supplemental Share Charge”	the agreement dated 10 August 2020 entered into between Westralian Resources as chargor and Mr. Cai as chargee to supplement the Share Charge
“Target Company”	德興市益豐再生有色金屬有限責任公司, a limited liability company incorporated in the PRC

DEFINITIONS

"Tung Settlement Agreement"

the agreement dated 31 August 2020 entered into between the Company and Ms. Tung in relation to the settlement of HK\$9,951,528.08 outstanding amount and issue of 70,798,074 settlement shares

"Westralian Resources"

Westralian Resources Pty Ltd, a wholly-owned subsidiary of the Company incorporated in Australia

"Wu Settlement Agreement"

the agreement dated 27 March 2020 (as amended and supplemented by the supplemental agreement) entered into between the Company and Creditor B relation to the settlement of debt owed by the Company to Creditor B under the Relevant Bonds

"%"

per cent